# FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-04-15** | Period of Report: **1993-12-31**
**SEC Accession No.** 0000106455-94-000003

(HTML Version on secdatabase.com)

## FILER

**WESTMORELAND COAL CO**
CIK:**106455**| IRS No.: **231128670** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-11155** | Film No.: **94522993**
SIC: **1220** Bituminous coal & lignite mining

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 1993

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from __________ to ________.

Commission File No. 0-752

WESTMORELAND COAL COMPANY
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 23-1128670 |
| (State or other jurisdiction of incorporation or organization) | (I. R. S. Employer Identification No.) |

700 The Bellevue, 200 S. Broad Street, Philadelphia, Pennsylvania 19102
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (215) 545-2500

Securities registered pursuant to Section 12(b) of the Act:

| TITLE OF EACH CLASS | NAME OF STOCK EXCHANGE ON WHICH REGISTERED |
|---|---|
| Common Stock, par value $2.50 per share | New York Stock Exchange |
| Depositary Shares, each representing a one-quarter share of Series A Convertible Exchangeable Preferred Stock | New York Stock Exchange |
| Preferred Stock Purchase Rights | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

| TITLE OF EACH CLASS | NAME OF STOCK EXCHANGE ON WHICH REGISTERED |
|---|---|
| Series A Convertible Exchangeable Preferred Stock, par value $1.00 per share | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes x No_______

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

________

The aggregate market value of voting stock held by non-affiliates as of February 25, 1994 is estimated to be $72,048,000. Voting stock held by affiliates is designated as voting stock beneficially held by executive officers and directors and by holders of more than 10% of the outstanding voting stock.

There were 6,955,477 shares outstanding of the registrant's Common Stock, $2.50 Par Value (the registrant's only class of common stock), as of February 25, 1994.

There were 2,300,000 depositary shares outstanding of the registrant's Preferred Stock, $0.25 Par Value as of February 25, 1994.

The following document has been incorporated by reference into the Parts of this Form 10-K (i.e., Part I, Part II, etc.) indicated in parentheses:

Definitive proxy statement to be filed on or about April 29, 1994. (Parts III and IV.)

# PART I

## ITEM 1 - BUSINESS

### Coal Marketing

Westmoreland Coal Company's (the "Company") principal business is the production and marketing of coal on a worldwide basis. More than half of the coal sold by the Company is processed at and shipped from its coal properties, and includes both steam coal, sold primarily to electric utilities, and metallurgical coal, sold primarily to the steel industry. The remaining coal sold by the Company is produced by other domestic mining companies, principally smaller producers seeking to utilize the Company's expertise in the marketing of coal.

The following table shows, for each of the past five years, the total tons of coal sold, tons sold from company production and tons sold that were sourced from unaffiliated producers (tons ooo's):

| | Total sales | Company production | Sales for others |
|---|---|---|---|
| 1993 | 16,687 | 11,551 | 5,136 |
| 1992 | 19,380 | 11,774 | 7,606 |
| 1991 | 20,627 | 11,570 | 9,057 |
| 1990 | 20,279 | 11,679 | 8,600 |

| | | | |
|---|---|---|---|
| 1989 | 19,613 | 10,813 | 8,800 |

Of the total tons of coal sold for others, approximately 37%, 30% and 38% was produced by domestic mining companies affiliated with Adventure Resources, Inc. ("Adventure") in 1993, 1992 and 1991, respectively. The coal sold by the Company which is produced by Adventure decreased in 1992 and 1993 due to Adventure's mine closings caused by higher operating costs and depletion of its coal reserves. On December 2, 1992 Adventure filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of West Virginia. Adventure continues to operate its remaining mines and the Company is continuing in its role of sales agent. Acting as sales agent for Adventure, the Company purchases all of Adventure's clean coal production at the time it is produced thus carrying all inventory and accounts receivable related to the sale of Adventure's coal production. The Company's obligation to buy coal from Adventure expired on March 1, 1994 and discussions are underway to determine the ongoing relationship with Adventure. At this time, it is expected that this relationship will be terminated as of June 30, 1994 due to the Company's need to conserve its working capital in order to sufficiently fund its internal coal production activities and its independent power activities. In January 1993, another West Virginia coal operation for which the Company acted as sales agent, stopped producing coal. Approximately 2,178,000 tons were sold for this producer in 1992. See Management's Discussion and Analysis of Financial Condition and Results of Operations for additional discussion.

In the case of coal sold for others, the Company may or may not take title to the coal, but in substantially all such transactions the Company assumes the credit risk of the purchaser. In 1993, the Company had no bad debt experience related to coal sold for others. In 1992, the Company established reserves for bad debts related to coal sold for others in the amount of $4,801,000. The bad debt expense in 1991 relating to coal sold for others was not material.

The Company is able to offer customers a wide variety of coals, including both steam coal and metallurgical coal, and a range of services related to its coal sales, including sourcing, blending, quality control and transportation. Transportation services include arrangements with railroads, barge lines and vessel charterers. The Company's wholly owned subsidiary, Westmoreland Coal Sales Company, Inc. ("WCSC"), also has its own leased fleet of railcars to increase the availability of transportation and to reduce transportation costs.

The Company markets coal worldwide, primarily through WCSC, using both its own sales force and a network of agents in foreign countries. WCSC has sales offices in Philadelphia, Pennsylvania and Charlotte, North Carolina. It also has field offices in Banner, Kentucky and Beckley, West Virginia. These field offices serve the function of sourcing coals from mines owned by unaffiliated producers. This gives WCSC access to coals which complement the Company's own production. The field offices also have full service quality control laboratories and sampling personnel in order to assure that coal being shipped to the customer meets specifications.

Approximately 77% of the tonnage sold by the Company in 1993 was sold under contracts calling for deliveries over a period longer than one year. The table below presents the amount of coal tonnages sold under long-term contracts for the last five years:

| | Sales under long-term contracts | | Total sales tonnage (000s) |
|---|---|---|---|
| | % | Tons (000s) | |
| 1993 | 77% | 12,774 | 16,687 |
| 1992 | 72% | 13,867 | 19,380 |
| 1991 | 68% | 13,969 | 20,627 |
| 1990 | 73% | 14,761 | 20,279 |
| 1989 | 71% | 13,850 | 19,613 |

On December 31, 1993, the Company, together with its subsidiaries (including 3,450,000 tons for 1994 at Westmoreland Resources, Inc. ("WRI"), its 60% owned subsidiary) had sales contracts requiring it to deliver in 1994 a minimum of 12,825,000 tons of coal, which commitments will be met from the production of the Company and other producers. Of this amount, approximately 554,000 tons are under contracts expiring in a year or less, and approximately 12,271,000 tons are under contracts for more than a year. The table below presents total sales tonnage under existing long-term contracts as they expire over the next five years:

| | Total sales tonnage under existing long-term contracts (000s) |
|---|---|
| 1994 | 12,271 |
| 1995 | 11,409 |
| 1996 | 9,242 |
| 1997 | 5,340 |
| 1998 | 4,781 |

Included in the tonnage figures above are certain coal sales covered by agreements of WRI. Under these agreements, WRI has exercised its right to receive "take or pay" payments from its customers if they elect not to purchase the minimum tonnages specified in the agreements. These payments will produce approximately the same net margin for WRI as if the coal were delivered.

Substantially all of the Company's long-term contracts have price adjustment provisions for changes in specified production costs' indices which generally reflect changes in wage rates, costs of supplies, union benefits, general and administrative costs, taxes, environmental and safety legislation and royalties. Some of the long-term contracts also provide for periodic price renegotiation and allow for termination after one year's notice upon failure to agree on a new price. Virtually all long-term contracts contain provisions for suspension of deliveries in the event of force majeure. Before long-term commitments expire, it is the Company's practice to renegotiate them, when appropriate, and thereby extend the contract, or to acquire new contracts to replace them.

In 1993, the 10 largest customers of the Company accounted for 62% of its coal revenues. Its two largest customers, Duke Power Company and Georgia Power Company, accounted for 22% and 10%, respectively, of the Company's coal revenues in 1993. No other customer accounted for as much as 10% of the Company's 1993 coal revenues. Sales to Georgia Power Company and Duke Power Company are made pursuant to long-term contracts expiring in April 1995 and July 1996, respectively. Pursuant to a scheduled price renegotiation under the Duke Power Company contract, on August 20, 1992 the Company agreed to reduce its price under this contract, effective January 1, 1993, by 10%. This price decrease, net of contractual price escalations in 1993, resulted in a reduction of revenues, and therefore profits, by approximately $7,100,000 in 1993 as compared to 1992.

Cleancoal Terminal Company ("Cleancoal"), a wholly owned subsidiary of the Company, is a rail-to-barge transloading and storage facility on the Ohio River between Louisville, Kentucky and Cincinnati, Ohio. The terminal gives the Company increased access to producers in Kentucky and affords the Company greater access to midwestern, southern and foreign markets. The terminal is also able to blend western Powder River Basin coals with eastern Kentucky coals. Cleancoal has an annual transloading capacity of 6,000,000 tons. It transloaded 2,511,000 tons in 1993, 2,144,000 tons in 1992.

Westmoreland Terminal Company, a wholly owned subsidiary of the Company, has a 20% interest in Dominion Terminal Associates ("DTA"), a consortium formed for the construction and operation of a coal storage and vessel-loading facility in Newport News, Virginia. DTA's annual throughput capacity is 20,000,000 tons, and its ground storage capacity is 1,700,000 tons. In 1993, DTA loaded 12,285,000 tons, including 2,428,000 tons for the Company.

Coal Production

The Company produces coal at properties in Virginia, West Virginia, Kentucky and Montana. Mining activities in the Eastern United States are conducted by the Company's Virginia Division, which mines reserves located in Virginia and eastern Kentucky, its Hampton Division, which mines reserves in West Virginia, Criterion Coal Company ("Criterion"), a wholly owned subsidiary of the Company, which mines reserves located in Kentucky and Pine Branch Mining Incorporated ("Pine Branch"), a wholly owned subsidiary of the Company, which mines reserves located in Virginia and eastern Kentucky. The Company's mining operations in Montana are conducted through WRI which is 60% owned by the Company.

Virginia Division. The Company's Virginia Division consists of nine mines located in Virginia and eastern Kentucky, including five underground mines operated by the Company and four mines operated by contractors, three of which are underground mines and one of which is a surface mine. In 1993, 1992 and 1991, the Virginia Division shipped 4,878,000 tons, 4,708,000 tons, and 4,325,000 tons of coal, respectively, including coal produced by independent contractors on Virginia Division properties and coal purchased from off-property locations including Pine Branch Mining. The Virginia Division properties total approximately 60,000 acres and employs approximately 770 people. The Virginia Division is currently operating two preparation plants for processing and loading coal. In late 1994 one of these two plants and one mine will cease operations for economic reasons. See Management's Discussion and Analysis of Financial Condition and Results of Operations for additional discussion.

Hampton Division. The Company's Hampton Division is situated in West Virginia. Its operations currently consist of two underground mines, a large surface mine and shop and preparation plant facilities. In 1993, 1992 and 1991, the Hampton Division shipped 1,561,000 tons, 1,745,000 tons and 1,543,000 tons of coal, respectively, including coal produced by an independent contractor on Hampton Division properties and coal purchased from off-property locations. The Hampton Division has one preparation plant for processing and loading coal. The Hampton Division's properties total approximately 14,000 acres and it employs approximately 130 people. During the first half of 1994 the Hampton Division will be closed down with the exception of the surface mine which is operated by a contractor with capacity to produce approximately 840,000 tons on an annual basis. All other mines together with the preparation plant and shop facilities will be closed down and the employees will be terminated. This closedown has been necessitated by market conditions, including the termination of an above-market coal sales contract. See Management's Discussion and Analysis of Financial Condition and Results of Operations for additional discussion.

Criterion Coal Company. Criterion is a wholly owned subsidiary of the Company with mining operations in Kentucky. Criterion, through its wholly owned subsidiary, Kentucky Criterion Coal Company, consists of five mines, including two surface mines and three underground mines. All of these mining operations are conducted by independent contractors on Criterion's properties. Criterion's total shipments in 1993, 1992 and 1991 were 1,853,000 tons, 1,786,000 tons and 1,600,000 tons of coal, respectively. In 1993, Criterion began operating a new coal preparation plant, which increased the capacity of the property to 3,000,000 tons per year. Criterion expects to open a new underground mine in 1994.

Westmoreland Resources, Inc. WRI is 60% owned by the Company, 24% owned by Morrison-Knudsen Corporation and 16% owned by Penn Virginia Corporation. WRI operates one large surface mine in Montana on approximately 15,000 acres of subbituminous coal lands. In 1993, WRI mined and shipped approximately 3,224,000 tons of coal. Morrison-Knudsen Corporation mines this coal under a contract with WRI. The majority of the coal sold by WRI is sold under long-term contracts. One of these long-term contracts, which expires in 2005, accounted for 62% of the coal sold by WRI in 1993.

Pine Branch Mining Incorporated. Pine Branch is a wholly owned subsidiary of the Company with mining operations in Virginia and eastern Kentucky. Pine Branch began operations in 1992 and it consists of one surface mine. Pine Branch produced 210,000 tons in 1993 and 117,000 tons in 1992, the majority of which was sold to the Virginia Division where it was processed and loaded into railcars for shipment to customers.

Cogeneration

Westmoreland Energy, Inc.("WEI") a wholly owned subsidiary of the Company, has been offered for sale by the Company and is therefore being accounted for as a discontinued operation. (See Note 6 to the Consolidated Financial Statements.) WEI is engaged in the business of developing and owning interests in cogeneration and other non-regulated independent power plants throughout the United States. Cogeneration is a power production technology that provides for the sequential generation of two or more useful forms of energy (e.g., electricity and steam) from a single primary fuel source (e.g., coal). The key elements of a cogeneration project are contracts for sales of electricity and steam, contracts for fuel supply, a suitable site, required permits and project financing. The economic benefit of cogeneration technology can be substantial because a significant portion of the energy which is wasted in the application of conventional technology is used by cogeneration technology to produce steam or hot water for industrial processes or the generation of additional electricity. Electricity is sold to utilities and end-users of electrical power, including large industrial facilities. Thermal energy from the cogeneration plant is sold to commercial enterprises and other institutions. Large industrial users of thermal energy include plants in the chemical processing, petroleum refining, food processing, pharmaceutical and pulp and paper industries.

A significant market has been rapidly developing in the United States for power generated by cogeneration and other independent power plants. This development was fostered by the energy crises of the 1970s, which led to the enactment of legislation that encouraged companies to enter the cogeneration and independent power generation industry by reducing regulatory requirements and facilitating the sale of electricity by such companies to utilities. Cogeneration and other independent power producers are also an attractive, economical source of energy for large industrial users which require dedicated energy sources for major facilities.

WEI, through various subsidiaries, currently has an interest in the eight cogeneration projects described in the table filed as an exhibit to this report.

Employees and Labor Relations

The Company, including subsidiaries, employed 1,090 people on December 31, 1993 compared with 1,195 on December 31, 1992. On July 1, 1993, the Company, through its membership in the Independent Bituminous Coal Bargaining Alliance, ("IBCBA") entered into an interim agreement with the United Mine Workers of America ("UMWA"). This agreement provides for the Company and the UMWA at the local level to work together to reduce health care costs, maximize the utilization of the Company's investments, recognize special local operating and competitive conditions, provide flexibility in work and scheduling, create incentive programs, recognize employees' skills and performance, involve and integrate employees and the UMWA in the success of their mines and the Company, and improve overall labor management relations. These features were incorporated into a five-year agreement that succeeded the interim agreement, and became effective as of December 1993 ("1994 Agreement").

The Company and the UMWA are in the process of implementing the 1994 Agreement, including its health care cost reduction provisions, which should make those operations more competitive. The 1994 Agreement provides for a wage increase of $.50 per hour, retroactive to February 1, 1993, the date on which the prior five-year agreement expired. Employees will receive the retroactive portion of this wage increase in the form of an additional $.50 per hour until the retroactive portion is paid. The 1994 Agreement provides for additional wage increases of $.40 per hour on December 16, 1994 and December 16, 1995, and for additional reopeners in 1996 and 1997.

## Competition

The coal industry is highly competitive, and the Company competes (principally in price and quality of coal) in both the steam coal and metallurgical coal markets with many other coal producers of all sizes. The Company, including the 1993 production of WRI, accounted for an estimated 1% of the nation's 1993 coal production, compared to the nation's largest coal producer which accounted for an estimated 9%. The Company's steam coal also competes with other energy sources in the production of electricity.

WEI is subject to increasing competition with respect to the development of new cogeneration projects from unregulated affiliates of utility companies, affiliates of fuel and equipment suppliers and independent developers.

## Mining Safety and Health Legislation

The Company is subject to state and federal legislation prescribing mining health and safety standards, including the Federal Coal Mine Safety and Health Act of 1969 and the 1977 Amendments thereto. In addition to authorizing fines and other penalties for violations, the Act empowers the Mine Safety and Health Administration to suspend or halt offending operations.

## Energy Regulation

WEI's cogeneration operations are subject to the provisions of various laws and regulations, including the federal Public Utilities Regulatory Policies Act of 1978 ("PURPA"). PURPA provides qualifying cogeneration facility status ("QF") to operations such as WEI's which allows them certain exemptions from substantial federal and state legislation and regulation, including regulation of rates at which electricity can be sold.

The most significant recent change in energy regulation was the passage of the National Energy Policy Act of 1992 ("EP Act"). The

EP Act reformed the Public Utility Holding Company Act of 1935. Companies can apply for Exempt Wholesale Generator ("EWG") status with the Federal Energy Regulatory Commission. An EWG can exclusively provide electric energy at wholesale prices without the requirement to sell thermal energy to a steam user. WEI applied for and received EWG status for its Roanoke Valley I ("RV I") project in December 1993. WEI intends to maintain the QF status for all projects except RV I. In the future, a case-by-case determination of QF or EWG status will be completed to optimize project returns.

Protection of the Environment

Mining Operations. The Company believes its mining operations are substantially in compliance with applicable federal, state and local environmental laws and regulations, including those relating to surface mining and reclamation, and it is the policy of the Company to operate in compliance with such standards. The Company believes that this policy will not substantially affect its ability to compete with similarly situated companies in the marketplace. Present compliance is largely a result of capital expenditures made in prior years and of current capital investments, maintenance and monitoring activities. The Company invested approximately $413,000 for capital additions and charged approximately $7,247,000 to earnings and $2,306,000 to reserves in 1993 in order to comply with environmental regulations applicable to its mining operations. Of the $7,247,000 charged to earnings, $4,235,000 was accrued as part of the Company's mine closure costs, discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations. In addition, reclamation fees imposed by the Federal Surface Mining Control and Reclamation Act of 1977 (the "Surface Mining Act") amounted to approximately $2,148,000 in 1993.

Based on its present interpretation of existing applicable environmental requirements, the Company has projected that it will expense approximately $2,400,000 and will spend approximately $625,000 for capital expenditures related to its mining operations to meet such requirements in 1994. Estimates of capital expenditures will be adjusted as necessary, either to reflect the impact of new regulations or because presently unforeseeable conditions may be imposed on future mining permits.

The Surface Mining Act regulations set forth standards, limitations and requirements for surface mining operations and for the surface effects of deep mining operations. Under the regulatory scheme contemplated by the Surface Mining Act, the Federal Office of Surface Mining ("OSM") issued regulations which set the minimum standards to which state agencies concerned with the regulation of coal mining must adhere. States that wish to regulate such coal mining must present their regulatory plans to OSM for approval. Once a state plan receives final approval, the state agency has primary regulatory authority over mining within the state, and OSM acts principally in a supervisory role. State agencies may impose standards more stringent than those required by OSM, and in some states this has been or is expected to be done. The four states in which the Company mines coal, Virginia, West Virginia, Kentucky and Montana, have all submitted regulatory plans to OSM, and these plans have received final approval. There is potential risk to the Company in the event it, or any of its independent contractors, fails to satisfy the obligations created by the Surface Mining Act. The Company's surface-mined Eastern coal production is mined to a large extent by independent contractors which, pursuant to their agreements with the Company, are primarily responsible for compliance with environmental laws. In the event, however, that any of its independent contractors fail to satisfy their obligations under the Surface Mining Act, the Company, depending upon the circumstances, might have, and has had, to carry out such obligations in order to avoid having its existing permits revoked or applications for new permits or permit modifications blocked. Compliance with the Surface Mining Act regulations has been costly for the Company and the coal mining industry in general.

In 1990 certain amendments were enacted to the Clean Air Act ("1990 Amendments"). As the first major revisions to the Clean Air Act since 1977, the 1990 Amendments vastly expand the scope of federal regulations and enforcement in several significant respects. In particular, the 1990 Amendments require that the United States Environmental Protection Agency (the "EPA") issue new regulations related to ozone non-attainment, air toxics and acid rain. Phase I of the acid rain provisions require, among other things, that electrical utilities reduce their sulfur dioxide emissions by 1995. Phase II requires an additional reduction in emissions by the year 2000.

The acid rain provisions of the 1990 Amendments may have a positive impact on the Company, in large part because a substantial amount of the Company's coal reserves are relatively low in sulfur content, i.e., less than 1 percent. This legislation allows utilities the freedom to choose the manner in which they will effect compliance with the required emission standards, increasing, in the opinion of the Company's management, the demand for low sulfur coal. The Company currently anticipates little or no impact on the coal industry from the ozone non-attainment provision of the 1990 Amendments, and is currently studying the potential impact of the air toxics provision, which management believes at this point will have a minimal effect on the coal industry.

A significant, but indirect, cause of lower coal demand in the electric utility sector has been low gas prices. The perception that gas prices will remain low throughout the 1990's has allowed utilities to plan to meet electricity growth with a combination of demand-side management and small gas-fired capacity additions. This strategy may displace potential new coal-fired capacity through the 1990's. The Company's marketing response has been to concentrate on maintaining, and attempting to increase, its market share with existing customers and grow on the basis of utilities switching from high sulfur to low sulfur coal rather than on the basis of future coal-fired power plant additions.

Cogeneration. The environmental laws and regulations applicable to the projects in which WEI participates primarily involve the discharge of emissions into the water and air, but can also include wetlands preservation and noise regulation. These laws and regulations in many cases require a lengthy and complex process of obtaining licenses, permits and approvals from federal, state and local agencies. Meeting the requirements of each jurisdiction with authority over a project can delay or sometimes prevent the completion of a proposed project, as well as require extensive modifications to existing projects. The limited partnerships formed to carry out these projects have the primary responsibility for obtaining the required permits and complying with the relevant environmental laws.

The Clean Air Act and the 1990 Amendments contain provisions that regulate the amount of sulfur dioxide and nitrogen oxides that may be emitted by a project. These emissions may be a cause of acid rain. Most of the projects in which WEI has investments are fueled by low sulfur coal and are not expected to be significantly affected by the acid rain provisions of the 1990 Amendments.

Segment Information

For financial information about Westmoreland's industry segments and export sales for the years 1993, 1992 and 1991 refer to Note 12 to the Consolidated Financial Statements, appearing on pages 97-101 inclusive.

For a discussion of certain factors affecting the business of Westmoreland in 1993, 1992 and 1991 refer to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," appearing on pages 38-53 inclusive, and Notes 1, 6 and 7 to the Consolidated Financial Statements, appearing on pages 66-67, 76-83 inclusive.

ITEM 2 - PROPERTIES

The Company owns or leases coal properties located in Virginia, West Virginia, Kentucky and Montana. The Company's estimated demonstrated reserves (excluding reserves deemed by the Company to be uneconomic to mine) in owned or leased property on December 31, 1993 in the three eastern states were 142,791,000 tons and in Montana were 672,378,000 tons. In the three eastern states the Company also owns or leases 347,093,000 tons currently classified by the Company as Unassigned Uneconomic. Unassigned Uneconomic tonnages require significant capital expenditures and construction of new mine openings and are legally recoverable with current technology, but are not in the Company's mining plans today, because they cannot be mined profitably based on current projected economic conditions. With the exception of the coal reserves in Kentucky, which reserves are owned in fee simple, nearly all of the Company's eastern reserves are leased from others including 343,242,000 tons under lease from Penn Virginia Resources Corporation, a wholly owned subsidiary of Penn Virginia Corporation (together "Penn Virginia") which controlled an 18.96% voting interest in the Company at December 31, 1993 and December 31, 1992. All leases with Penn Virginia run to exhaustion of the coal reserves. Properties located in Montana are leased by WRI from the Crow Tribe of Indians and run to exhaustion. The balance of the Company's leases are for varying terms, including to exhaustion. Refer to Note 5 to the Consolidated Financial

Statements, on pages 74-75 inclusive.

The table below shows the Company's estimated demonstrated coal reserve base and production in 1993. The term "demonstrated coal reserve base" is as defined in the "Coal Resource Classification System of the U.S. Geological Survey" (Circular 891). This represents the sum of the measured and indicated reserve bases and includes assigned and unassigned economic reserves.

<TABLE>

Summary of Demonstrated Coal Reserve Base and Production Tons
as of December 31, 1993
(in thousands)

<CAPTION>

<S> <C> <C> <C> <C> <C>

| | 1993 Production | Sulfur (1) | Assigned (2) | Unassigned Economic(3) | Total Demonstrated Coal Reserve Base |
|---|---|---|---|---|---|
| Eastern Operations | | | | | |
| Virginia | | | | | |
| Steam | 3,704 | .96/1.38 | 30,111 | 5,741 | 35,852 |
| Metallurgical | 456 | .60 | 602 | 1,924 | 2,526 |
| West Virginia | | | | | |
| Steam | 1,324 | .77/.85 | 9,197 | 0 | 9,197 |
| Metallurgical | 0 | .98 | 0 | 0 | 0 |
| Kentucky | | | | | |
| Steam | 1,755 | .74/.95/1.35 | 23,582 | 71,634 | 95,216 |
| Subtotal-Steam | 6,783 | | 62,890 | 77,375 | 140,265 |
| Subtotal-Met | 456 | | 602 | 1,924 | 2,526 |
| Subtotal Eastern Operations | 7,239 | | 63,492 | 79,299 | 142,791 |
| Western Operations | | | | | |
| Montana | | | | | |
| Steam | 3,224 | .62 | 672,378 | 0 | 672,378 |
| Total All Operations | 10,463 | | 735,870 | 79,299 | 815,169 |

<FN>
(1) Percent Sulfur applies to the 1993 production tonnages.

(2) Assigned tonnages are legally recoverable through existing facilities based on current mining plans with current technology and the Company's infrastructure.

(3) Unassigned Economic tonnages require significant capital expenditures and construction of new mine openings before mining could begin and are legally and economically recoverable with current technology and the Company's infrastructure.
</TABLE>

Estimates of reserves in the eastern states are based mainly upon yearly evaluations made by the Company's professional engineers and geologists. The Company periodically modifies estimates of reserves under lease which may increase or decrease previously reported amounts. The reserve evaluations are based on new information developed by bore-hole drilling, examination of outcrops, acquisitions, dispositions, production, changes in mining methods, abandonments and other information.

Coal reserves in Montana represent recoverable tonnage held under the terms of the principal Crow Tribe lease, as amended in 1982, as well as other minor leases, and were estimated at 799,803,000 tons as of January 1, 1980, based principally upon a report by independent consulting geologists, prepared in February 1980. The reserve estimate has been adjusted for subsequent production, changes in mining practices and coal recovery experience.

In addition to the coal reserves mentioned above, the Company owns a number of coal preparation and loading facilities in Virginia, West Virginia and Kentucky. WRI owns and operates a dragline and coal crushing and loading facilities at its mine in Montana.

ITEM 3 - LEGAL PROCEEDINGS

No material proceedings.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

This item is inapplicable.

Executive Officers of the Registrant

Below is a table showing the executive officers of the Company, their ages as of March 1, 1994, positions held and year of election to their present offices. No family relationships exist among them. All of the officers are elected annually by the Board of Directors and serve at the pleasure of the Board of Directors.

| Name | Age | Position(s) | Held Since |
|---|---|---|---|
| Christopher K. Seglem | 47 | President and | 1992 |
| | | Chief Executive Officer (1) | 1993 |
| R. Page Henley, Jr. | 58 | Senior Vice President-Government Affairs (2) | 1992 |
| Theodore E. Worcester | 53 | Senior Vice President and | 1992 |
| | | General Counsel (3) | 1990 |
| Ronald W. Stucki | 49 | Senior Vice President-Operations (4) | 1992 |
| Francis J. Boyle | 48 | Senior Vice President, Chief Financial Officer and Treasurer (5) | 1993 |
| Joseph W. Lee | 50 | President Westmoreland Coal Sales Company (6) | 1991 |
| Charles J. Brown, III | 46 | President Westmoreland Energy, Inc. (7) | 1987 |
| Ronald R. Rominiecki | 40 | Controller (8) | 1988 |

______________________________

(1) Effective January 1988, Mr. Seglem was elected to the positions of Vice President, General Counsel, and Secretary for the Company. In November 1988 he was elected a Senior

Vice President of the Company. In May 1990, he relinquished the position of Secretary. In December 1990, he was elected an Executive Vice President of the Company, at which time he relinquished the position of General Counsel. In June 1992, he was elected President and Chief Operating Officer, and in December 1992 he was elected a Director of the Company. In June 1993, he was elected Chief Executive Officer of the Company, at which time he relinquished the position of Chief Operating Officer. He is a member of the bar of Pennsylvania.

(2) Mr. Henley was elected Vice President-Development and Government Affairs in May 1988, which position he held until he was elected Senior Vice President-Development and Government Affairs in May 1990. In June 1992, he was elected Senior Vice President-Government Affairs. In 1993, Mr. Henley was also elected Vice President, General Counsel and Secretary of the Company's WEI subsidiary, and undertook additional duties, including project development. Subsequently, on March 29, 1994, he was elected Senior Vice President-Development of the Company.

(3) Mr. Worcester was a member of the law firm of Sherman & Howard, with its principal office in Denver, Colorado, from 1972, and a partner in the firm from 1978 until December 1990, at which time he was elected Vice President & General Counsel of the Company. In June 1992, he was elected Senior Vice President while retaining his position of General Counsel of the Company. He is a member of the bar of Colorado.

(4) Mr. Stucki was General Manager and Vice President of Colorado Westmoreland Inc. (a former wholly owned subsidiary of the Company) until the operation was sold to Cyprus Coal Company (Cyprus) in November 1988, where he continued and became Vice President of Colorado and Wyoming operations. He left Cyprus to rejoin the Company as Senior Vice President-Operations in July 1992.

(5) Mr. Boyle was Chief Financial Officer and Senior Vice President of El Paso Natural Gas Company from 1985 through 1992. He was elected Senior Vice President, Chief Financial Officer and Treasurer of the Company, effective August 9, 1993.

(6) Mr. Lee was elected Vice President-Purchasing and Northern Sales of Westmoreland Coal Sales Company in 1988, which position he held until he was elected Senior Vice President of Westmoreland Coal Sales Company on July 1, 1991. Mr. Lee was elected President of Westmoreland Coal Sales Company on August 1, 1991.

(7) Mr. Brown terminated employment with the Company effective April 8, 1994.

(8) Mr. Rominiecki terminated employment with the Company effective March 31, 1994.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Reference is hereby made to the section entitled "Market Information on Capital Stock" appearing on pages 109-110.

ITEM 6 - SELECTED FINANCIAL DATA

Reference is hereby made to the section entitled "Five-Year Review" appearing on pages 54-55 inclusive.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is hereby made to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing on pages 38-53 inclusive.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is hereby made to pages 56-61 inclusive.

Reference is also made to the financial statement schedules included on pages 33-36 inclusive.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

This item is inapplicable.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11 - EXECUTIVE COMPENSATION

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For Items 10-13, inclusive, except for information concerning executive officers of Westmoreland included as an unnumbered item in Part I above, reference is hereby made to Westmoreland's definitive proxy statement dated April 29, 1994, to be filed in accordance with Regulation 14A pursuant to Section 14(a) of the Securities Exchange Act of 1934, which is incorporated herein by reference thereto.

PART IV

ITEM 14- EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

a) 1. The financial statements filed herewith are listed in the Index to Financial Statements on page 37

2. The financial statement schedules filed herewith are listed in the Index to Financial Statements on page 32. The financial statement schedules are on pages 33-36.

3. The following exhibits are filed herewith as required by Item 601 of Regulation S-K:

(3) (a) Articles of incorporation, as amended to date.

(b) Bylaws, as amended on December 4, 1990, were filed as Exhibit 3(b) to Westmoreland's Annual Report on Form 10-K for 1990 (SEC File No. 0-752), which Exhibit 3(b) is incorporated herein by reference thereto.

(4) Instruments defining the rights of security holders

(a) A Loan Agreement dated August 10, 1977 between Westmoreland and six insurance companies was filed as Exhibit 2(b) to Westmoreland's Annual Report on Form 10-K for 1977 (SEC File #0-752). That Loan Agreement is incorporated herein by reference thereto.

(b) A Revolving Credit Loan Agreement dated September 25, 1990 between Westmoreland and four banks - Reference is hereby made to Exhibit 4(b) to Westmoreland's Annual Report on Form 10-K for 1990 (SEC File #0-752), which Exhibit 4(b) is incorporated herein by reference thereto.

(c) Certificate of Designation of Series A Convertible Exchangeable Preferred Stock of the Company defining the rights of holders of such stock, filed July 8, 1992 as an amendment to the Company's Certificate of Incorporation, and filed as Exhibit 3(a) to Westmoreland's Form 10-K for 1992.

(d) Form of Indenture between Westmoreland and Fidelity Bank, National Association, as Trustee relating to the Exchange Debentures. Reference is hereby made to Exhibit 4.1 to Form S-2 Registration 33-47872 filed May 13, 1992, and Amendments 1 through 4 thereto, which Exhibit is incorporated herein by reference.

(e) Form of Exchange Debenture Reference is hereby made to Exhibit 4.2 to Form S-2 Registration 33-47872 filed May 13, 1992, and Amendments 1 through 4 thereto, which Exhibit is incorporated herein by reference.

(f) Form of Deposit Agreement among Westmoreland, First Chicago Trust Company of New York, as Depositary and the holders from time to time of the Depositary Receipts. Reference is hereby made to Exhibit 4.3 to Form S-2 Registration 33-47872 filed May 13, 1992, and Amendments 1 through 4 thereto, which Exhibit is incorporated herein by reference.

(g) Form of Certificate of Designation for the Series A Convertible Exchangeable Preferred Stock. Reference is hereby made to Exhibit 4.4 to Form S-2 Registration 33-47872 filed May 13, 1992, and Amendments 1 through 4 thereto, which Exhibit is incorporated herein by reference.

(h) Specimen certificate representing the common stock of Westmoreland, filed as Exhibit 4(c) to Westmoreland's Registration Statement on Form S-2, Registration No. 33-1950, filed December 4, 1985, is hereby incorporated by reference.

(i) Specimen certificate representing the Preferred Stock. Reference is hereby made to Exhibit 4.6 to Form S-2 Registration 33-47872 filed May 13, 1992, and Amendments 1 through 4 thereto, which Exhibit is incorporated herein by reference.

(j) Form of Depositary Receipt. Reference is hereby made to Exhibit 4.7 to Form S-2 Registration 33-47872 filed May 13, 1992, and Amendments 1 through 4 thereto, which Exhibit is incorporated herein by reference.

(k) In accordance with paragraph (b)(4)(iii) of Item 601 of Regulation S-K, Westmoreland hereby agrees to furnish to the Commission, upon request, copies of all other long-term debt instruments.

(10) Material Contracts

(a) On January 5, 1982, the Board of Directors of Westmoreland adopted a Management by Objectives Plan (MBO Plan) for senior management. A description of this MBO Plan is set forth on page 9 of Westmoreland's definitive proxy statement dated March 31, 1982, which description is incorporated herein by reference thereto.

(b) Westmoreland Coal Company 1982 Incentive Stock Option and Stock Appreciation Rights Plan--Reference is hereby made to Exhibit 10(b) to Westmoreland's Annual Report on Form 10-K for 1981 (SEC File #0-752), which Exhibit 10(b) is incorporated herein by reference thereto.

(c) Westmoreland Coal Company 1985 Incentive Stock Option and Stock Appreciation Rights Plan--Reference is hereby made to Exhibits 10(d) to Westmoreland's Annual Report on Form 10-K for 1984 (SEC File #0-752), which Exhibit 10(d) is incorporated herein by reference thereto.

(d) Agreement dated July 1, 1984 between Georgia Power Company and Westmoreland. Reference is hereby made to pages 33 - 79, inclusive, of Westmoreland's Annual Report on Form 10-K for 1985 (SEC File #0-752), which pages 33 - 79, inclusive, is incorporated herein by reference thereto.

(e) Letter agreement dated June 11, 1987 relating to the coal supply agreement between Georgia Power Company and Westmoreland Coal Company. See (10)(d) above.

(f) Agreement dated January 1, 1986 between Mill-Power Supply Company, agent for Duke Power Company, and Westmoreland Coal Sales

Company, agent for Westmoreland, which is incorporated herein by reference thereto. Reference is hereby made to pages 80 - 103, inclusive, of Westmoreland's Annual Report on Form 10-K for 1985 (SEC File #0-752), which pages are incorporated herein by reference thereto.

(g) In 1990, the Board of Directors established an Executive Severance Policy for certain executive officers, which provides a severance award in the event of termination of employment. Reference is hereby made to Exhibit 10(h) to Westmoreland's Annual Report on Form 10-K for 1990 (SEC File #0-752), which Exhibit 10(h) is incorporated herein by reference thereto.

(h) Westmoreland Coal Company 1991 Non-Qualified Stock Option Plan for Non-Employee Directors - Reference is hereby made to Exhibit 10(i) to Westmoreland's Annual Report on Form 10-K for 1990 (SEC File #0-752), which Exhibit 10(i) is incorporated herein by reference thereto.

(i) Agreement dated April 1, 1986 between Finsider Mining Company, Ltd. and Westmoreland Coal Sales Company, relating to a contract for the purchase and sale of coking coal, and Assignment dated March 1, 1990 from Finsider to ILVA, S.p.A.- Reference is hereby made to Exhibit 10(j) to Westmoreland's Annual Report on Form 10-K for 1990 (SEC File #0-752), which Exhibit 10(j) is incorporated herein by reference thereto.

(j) Effective January 1, 1992, the Board of Directors established a Supplemental Executive Retirement Plan ("SERP") for certain executive officers and other key individuals, to supplement Westmoreland's Retirement Plan by not being limited to certain Internal Revenue Code limitations. A description of this SERP is set forth on page 11 of Westmoreland's definitive proxy statement dated June 9, 1992, which description is incorporated herein by reference thereto.

(k) Amended Coal Mining Agreement between Westmoreland Resources, Inc. and Crow Tribe of Indians, dated November 26, 1974, as further amended in 1982, filed as Exhibit (10)(a) to Westmoreland's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, is incorporated by reference thereto.

(l) Amendment and Restatement of Virginia Lease between Penn Virginia Resources Corporation and Westmoreland, effective as of July 1, 1988, as further amended May 6, 1992, filed as Exhibit 10(b) to Westmoreland's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, is incorporated by reference thereto.

(m) Amendment and Restatement of Hampton Lease between Penn Virginia Resources Corporation and Westmoreland, effective as of July 1, 1988, as further amended May 6, 1992, filed as Exhibit 10(c) to Westmoreland's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, is incorporated by reference thereto.

(n) Acquisition Agreement, dated May 6, 1992 by and among Westmoreland, Penn Virginia Corporation and Penn Virginia Equities Corporation, including as Exhibit A thereto, a form of agreement to be executed by the parties on the Closing Date described therein, filed as Exhibit 10(d) to Westmoreland's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, is incorporated by reference thereto.

(o) Agreement dated July 9, 1992 by and among Westmoreland, Penn Virginia Corporation and Penn Virginia Equities Corporation, with respect to (i) registration rights granted to Penn Virginia, (ii) the number of directors which Penn Virginia for a period of two years may designate to be elected to Westmoreland's Board of Directors and (iii) other conditions, as set forth therein, which is discussed in Item 13 of Westmoreland's Form 10-K for 1992.

(p) Agreement dated October 9, 1992 by and among Westmoreland, Penn Virginia Corporation and Penn Virginia Equities Corporation amending and modifying prior agreements by and among the parties as set forth therein, which is discussed in Item 13 of Westmoreland's Form 10-K for 1992.

Exhibits 10(a), (b), (c), (g), (h) and (j) represent management contracts or compensatory plan arrangements required to be filed as exhibits, pursuant to Item 14(c) of this report.

(13) Annual Report to Security Holders. The

Westmoreland Coal Company 1993 Annual Report to Shareholders, has not yet been distributed to shareholders.

(21) Subsidiaries of the Registrant

(23) Consent of Independent Certified Public Accountants

b) Reports on Form 8-K.

(1) On November 1, 1993 Westmoreland Coal Company filed a Report on Form 8-K. This report contained discussion related to the intended sale of its subsidiary, Westmoreland Energy, Inc. and its press release dated November 1, 1993 as an exhibit.

(2) On December 2, 1993 Westmoreland Coal Company filed a Report on Form 8-K. This report contained discussion related to the termination of its proposed sale of Westmoreland Energy, Inc. to California Energy Company, Inc. and its press release dated December 1, 1993 as an exhibit.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTMORELAND COAL COMPANY

April 15, 1994 By /s/ Francis J. Boyle
Francis J. Boyle
Senior Vice President,
Chief Financial
Officer & Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| Principal Executive Officer: | | |
| /s/ Christopher K. Seglem | President, Chief Executive Officer and Director | April 15, 1994 |

Christopher K. Seglem

Directors:

| | | |
|---|---|---|
| /s/ Pemberton Hutchinson<br>Pemberton Hutchinson | Chairman of the Board | April 15, 1994 |
| /s/ E. B. Leisenring, Jr.<br>E. B. Leisenring, Jr. | Director | April 15, 1994 |
| /s/ William R. Klaus<br>William R. Klaus | Director | April 15, 1994 |
| /s/ A. Linwood Holton, Jr.<br>A. Linwood Holton, Jr. | Director | April 15, 1994 |
| /s/ Brenton S. Halsey<br>Brenton S. Halsey | Director | April 15, 1994 |
| /s/ Edwin E. Tuttle<br>Edwin E. Tuttle | Director | April 15, 1994 |
| /s/ Lennox K. Black<br>Lennox K. Black | Director | April 15, 1994 |

Principal Accounting Officer:

| | | |
|---|---|---|
| /s/ Thomas C. Sharpe<br>Thomas C. Sharpe | Acting Controller | April 15, 1994 |

Independent Auditors' Report

The Board of Directors and Shareholders
Westmoreland Coal Company:

We have audited the consolidated financial statements of Westmoreland Coal Company and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in the accompanying index. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Westmoreland Coal Company and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 1993 in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 10 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, in 1993.

The accompanying consolidated financial statements and financial statement schedules have been prepared assuming that Westmoreland Coal Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations, is in violation of various covenants in its credit arrangements and other obligations and has a net working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements and financial statement schedules do not include any adjustments that might result from the outcome of this uncertainty.

KPMG Peat Marwick

April 15, 1994
Philadelphia, PA

WESTMORELAND COAL COMPANY AND SUBSIDIARIES

Index to Financial Statements

The consolidated balance sheets of the Company and subsidiaries as of December 31, 1993 and December 31, 1992, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1993 together with the related notes and the summary of significant accounting policies are contained on pages 56-108.

The following schedules should be read in conjunction with the consolidated financial statements of the Company contained on pages 33-36. Schedules not included have been omitted because they are not applicable or the required information is presented in the consolidated financial statements or related notes.

| | | Year ended or at December 31 |
|---|---|---|
| Schedules submitted: | | |
| V - | Property, plant and equipment | 1993, 1992, 1991 |
| VI - | Accumulated depreciation and depletion of property, plant and equipment | 1993, 1992, 1991 |
| VIII - | Valuation and qualifying accounts | 1993, 1992, 1991 |
| X - | Supplementary income statement information | 1993, 1992, 1991 |

<TABLE>

Schedule V

WESTMORELAND COAL COMPANY AND SUBSIDIARIES

Property, Plant and Equipment
Years ended December 31, 1993, 1992 and 1991

(in thousands)

<CAPTION>

| | Balance at beginning of year | Additions at cost | Retirements or sales | Reclassifications Transfers | Balance at end of year |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |

| | | | | | |
|---|---|---|---|---|---|
| Year ended December 31, 1993: | | | | | |
| Land and mineral rights | $ 58,629 | - | 25,791 | - - | 32,838 |
| Plant and equipment | 347,686 | 8,134 | 25,473 | 732 | 331,079 |
| Furniture and fixtures | 1,411 | 58 | 406 | (71) | 992 |
| Automobiles and trucks | 8,295 | 106 | 741 | (892) | 6,768 |
| | $416,021 | 8,298 | 52,411 (A) | (231) (B) | 371,677 |
| Year ended December 31, 1992: | | | | | |
| Land and mineral rights | $ 58,630 | - | 1 | - - | 58,629 |
| Plant and equipment | 318,142 | 32,831 | 3,287 | - - | 347,686 |
| Furniture and fixtures | 1,388 | 28 | 5 | - - | 1,411 |
| Automobiles and trucks | 7,988 | 870 | 563 | - - | 8,295 |
| | $386,148 | 33,729 | 3,856 | - - | 416,021 |
| Year ended December 31, 1991: | | | | | |
| Land and mineral rights | $ 58,554 | 78 | 2 | - - | 58,630 |
| Plant and equipment | 315,497 | 14,115 | 11,470 | - - | 318,142 |
| Furniture and fixtures | 1,352 | 42 | 6 | - - | 1,388 |
| Automobiles and trucks | 6,551 | 1,531 | 94 | - - | 7,988 |
| | $381,954 | 15,766 | 11,572 | - - | 386,148 |

<FN>

(A) $40,865 of this amount relates to write-downs of assets. See Note 2 to the Consolidated Financial Statements.

(B) Removes balances related to WEI which is presented as a discontinued operation.

</TABLE>

<TABLE>

Schedule VI

WESTMORELAND COAL COMPANY AND SUBSIDIARIES

Accumulated Depreciation and Depletion of

Property, Plant and Equipment

Years ended December 31, 1993, 1992 and 1991

(in thousands)

<CAPTION>

| <S> | Balance at beginning of year | Additions charged to earnings | Retirements sales and adjustments | Reclassifications Transfers | Balance at end of year |
|---|---|---|---|---|---|
| Year ended December 31, 1993: | | | | | |
| Depletion of mineral rights | $ 6,272 | 1,204 | 25 | (47) | 7,404 |
| Plant and equipment | 198,914 | 18,942 | 7,205 | 284 | 210,935 |
| Furniture and fixtures | 1,195 | 35 | 374 | (8) | 848 |
| Automobiles and trucks | 5,589 | 1,259 | 495 | (313) | 6,040 |
| | $ 211,970 | 21,440 | 8,099 | (84) (A) | 225,227 |
| Year ended December 31, 1992: | | | | | |
| Depletion of mineral rights | $ 5,113 | 1,158 | (1) | - - | 6,272 |
| Plant and equipment | 181,606 | 20,434 | 3,126 | - - | 198,914 |
| Furniture and fixtures | 1,157 | 40 | 2 | - - | 1,195 |
| Automobiles and trucks | 5,117 | 938 | 466 | - - | 5,589 |
| | $ 192,993 | 22,570 | 3,593 | - - | 211,970 |
| Year ended December 31, 1991: | | | | | |
| Depletion of mineral rights | $ 3,919 | 1,188 | (6) | - - | 5,113 |
| Plant and equipment | 170,917 | 21,221 | 10,532 | - - | 181,606 |
| Furniture and fixtures | 1,112 | 50 | 5 | - - | 1,157 |
| Automobiles and trucks | 4,876 | 670 | 429 | - - | 5,117 |
| | $ 180,824 | 23,129 | 10,960 | - - | 192,993 |

<FN>

(A) Removes balances related to WEI which is presented as a discontinued operation.
</TABLE>

<TABLE>

Schedule VIII

WESTMORELAND COAL COMPANY AND SUBSIDIARIES

Valuation and Qualifying Accounts
Years ended December 31, 1993, 1992 and 1991

(in thousands)

<CAPTION>

| <S> | Balance at beginning of year <C> | Additions (deductions) charged (credited) to earnings <C> | Other additions (deductions) <C> | Balance at end of year <C> |
|---|---|---|---|---|
| Year ended December 31, 1993: | | | | |
| Allowance for doubtful accounts | $ 31,813 | (257) | (3,026) | 28,530 |
| Accrual for workers' compensation | $ 16,370 | 17,204 | (7,117) | 26,457 |
| Accrual for pneumoconiosis benefits | $ 19,522 | (2,047) | - - | 17,475 |
| Accrual for postretirement medical costs | $ - | 48,721 (A) | (11,431) | 37,290 |
| Year ended December 31, 1992: | | | | |
| Allowance for doubtful accounts | $ 2,416 | 29,055 | 342 | 31,813 |
| Accrual for workers' compensation | $ 10,879 | 11,033 | (5,542) | 16,370 |
| Accrual for pneumoconiosis benefits | $ 21,501 | (1,979) | - - | 19,522 |
| Year ended December 31, 1991: | | | | |
| Allowance for doubtful accounts | $ 2,964 | 107 | (655) | 2,416 |
| Accrual for workers' compensation | $ 10,633 | 5,832 | (5,586) | 10,879 |
| Accrual for pneumoconiosis benefits | $ 22,944 | (1,443) | - - | 21,501 |

<FN>
Amounts above include current and non-current valuation accounts.

(A) See Note 10 to the Consolidated Financial Statements.
</TABLE>

<TABLE>

Schedule X

WESTMORELAND COAL COMPANY AND SUBSIDIARIES

Supplementary Income Statement Information
Years ended December 31, 1993, 1992 and 1991

<CAPTION>

| Item | 1993 | 1992 | 1991 |
|---|---|---|---|
| | | Charged to expense (in thousands) | |
| <S> | <C> | <C> | <C> |
| Maintenance and repairs | $27,630 | $24,661 | $25,595 |
| Taxes, other than payroll and income taxes: | | | |
| Federal pneumoconiosis excise tax | 7,487 | 7,171 | 6,584 |
| Sales and severance taxes | 9,577 | 8,918 | 8,433 |
| Other | 6,111 | 5,508 | 4,766 |
| Royalties | 13,611 | 13,359 | 11,708 |

<FN>

All other classifications, as required by the Securities and Exchange Commission, are omitted as such individual amounts do not exceed one percent of sales.
</TABLE>

INDEX TO FINANCIAL CONTENTS



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Years Ended December 31, 1993, 1992 and 1991
Liquidity and Capital Resources

Cash provided by operating activities totalled $34,130,000 and $4,944,000 in 1993 and 1992, respectively, compared with cash used by operating activities of $2,456,000 in 1991. Cash provided by operating activities increased substantially in 1993 as compared to 1992 despite a $97,646,000 net loss for 1993. $79,250,000 of the charges related to the write-off of the carrying value of certain mining operations and coal reserves along with provisions for the termination of certain coal operations and personnel recognized in 1993 had no cash impact in 1993. $39,472,000 of these charges are non-cash and are related to the book value of assets written down and the remainder is related to accruals for shut down costs such as employee related costs, reclamation costs and operating losses which will be funded over future years. Approximately $9,000,000 of the accruals will be funded in 1994, $5,000,000 in 1995 and the remainder in 1996 and beyond. The longer term accruals relate to postretirement medical benefits to be funded over the lifetime of the beneficiaries. Also included in 1993's net loss was $10,527,000 of non-cash charges resulting from the adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting For Postretirement Benefits Other than Pensions" ("SFAS 106") in January 1993. The improvement in 1993's cash flow from operating activities is the result of an aggressive working capital management effort, particularly in the area of trade receivables which decreased $17,199,000, net of allowances for doubtful accounts and inventories which decreased $5,596,000, comparing December 31, 1993 to December 31, 1992. Westmoreland Coal Company (the "Company" or "Westmoreland") is actively evaluating its business relationships which require investments in working capital and eliminating those with marginal returns in order to conserve cash.

Cash used in investing activities was $9,769,000, $43,711,000 and $13,813,000 in 1993, 1992 and 1991 respectively. During 1993, 1992 and 1991 the Company invested $8,298,000, $33,729,000 and $14,975,000 respectively, in capital assets. These amounts include capital lease obligations of $108,000, $35,000 and $152,000 in 1993, 1992 and 1991, and $3,883,000 of assets subsequently sold and leased back under an operating lease in 1993 to finance new equipment. Of the total capital expenditures in 1993, approximately $3,500,000 were for expansion of production capacity and approximately $4,800,000 were for sustaining capital. In 1992, capital expenditures included infrastructure construction to support a new longwall mining system at the Pierrepont Mine in Virginia and a new coal preparation plant at Criterion. The Company had no investment requirements in 1993 for its cogeneration projects. In 1992 it invested $9,641,000 in cogeneration projects. The Company plans to invest approximately $11,500,000 in capital assets in 1994 of which approximately $4,800,000 will be for expansion of production capacity and $6,700,000 will be for sustaining capital. For information regarding future investments in and capital requirements for cogeneration and independent power facilities. (See Note 6 to the Consolidated Financial Statements.)

The Company's principal credit facilities have an outstanding balance at December 31, 1993 of $51,385,000 and have final maturities in July 1994. As a result of the losses incurred in the fourth quarter of 1993, the Company is not in compliance with certain of the financial covenants contained in these credit facilities. The Company is engaged in negotiations with the institutions participating in these facilities to cure the defaults. (See Liquidity Outlook and Note 1 to the Consolidated Financial Statements for additional details.)

Cash used in financing activities was $10,783,000 and $13,337,000 in 1993 and 1991, respectively, as compared to cash provided by financing activities of $35,656,000 in 1992. These amounts include payments to reduce existing debt in 1993, 1992 and 1991, and the proceeds from the preferred stock offering and additional borrowings in 1992. Preferred dividends in the amount of $4,888,000 and $1,140,000 were paid in 1993 and 1992 respectively. Dividends paid to common shareholders were $2,433,000 and $2,640,000 in 1992 and 1991 respectively.

The Company's total debt to capitalization ratio (total debt, including current portion of long-term debt, divided by the sum of total debt, including current portion of long-term debt, minority interest and shareholders' equity) was 51% at December 31, 1993 and 27% at December 31, 1992. This increase is due to the large net loss in 1993 which reduced shareholders' equity.

The Company's cash and cash equivalents at December 31, 1993 totalled $24,262,000. At December 31, 1992, cash and cash equivalents totalled $10,749,000. None of the cash and cash equivalents was restricted as to use or disposition. The Company's current ratio was .94 at December 31, 1993 down from 1.49 at December 31, 1992. The decrease is due to the accrual for postretirement medical benefits under SFAS 106 and the reclassification of the Company's borrowings under its Amended and Restated Revolving Credit Agreement, dated April 15, 1993 (the "Amended Revolver") to current portion of long-term debt. The Company has also classified the long-term portion, $10,350,000, of its 10% senior unsecured notes (the "10% Notes") to current portion of long-term debt due to the maturity date being amended to July 1994 from July 1998 as a result of a negotiation to resolve certain covenant violations as of September 30, 1993.

Preferred stock dividends at a rate of 8.5% per annum have been paid quarterly since the third quarter of 1992. The last quarterly preferred stock dividend was declared on February 25, 1994 and was paid on April 1, 1994. The continuation of payment of preferred stock dividends is at the discretion of the Company's board of directors. However, there are statutory restrictions limiting the payments of preferred dividends under Delaware law, the state in which the Company is incorporated. Under Delaware law, the Company is only permitted to pay dividends either: (1) out of surplus, surplus being the amount of shareholders' equity in excess of the par value of the Company's two classes of stock; or (2) in the event of no surplus, out of net profits for the fiscal year in which a dividend is declared (or out of net profits from the preceding fiscal year), but only to the extent that equity exceeds par value of preferred stock ($575,000). The combined par value of the Company's preferred and common stocks is $17,964,000.

Common stock dividend payments are restricted by covenants under the Company's loan agreements. Currently the Company is not able to pay common stock dividends based on these restrictive covenants.

Liquidity Outlook

As of December 31, 1993, Westmoreland was not in compliance with certain of the financial covenants contained in the Amended Revolver maturing July 1994, the 10% Notes due July 1994 the Company's Guarantee Obligation (the "DTA Guaranty") in connection with a $26,560,000 letter of credit expiring in July 1994 and related to the financing of a portion of the Dominion Terminal Associates coal export terminal. Outstanding borrowings under the Amended Revolver and 10% Senior Notes total $24,825,000 at December 31, 1993.

The Company is engaged in negotiations with the institutions participating in these credit arrangements about waivers of these defaults, modifications of the financial covenants and restructuring of the facilities, including the extension of the maturities thereof pending possible asset sales.

In addition to the debt of $24,825,000 and the letter of credit for $26,560,000 maturing in July 1994, the Company has equity commitments related to cogeneration projects, currently projected to be $9,600,000, of which $1,050,000 was paid in March 1994 and the balance is payable in September 1994 and $15,392,000 payable in December 1994 and a related payment of $4,750,000 payable on April 29, 1994. The Company has offered for sale its cogeneration and independent power business, Westmoreland Energy, Inc. ("WEI") and is currently in negotiations on such a transaction. If successful, the proceeds are anticipated to be adequate to cover the credit facility obligations maturing in July 1994 and satisfy the above equity commitments. In addition the Company has been conducting a strategic review of its coal mining and related operations which has already resulted in the write-off and planned closure of certain mining operations and coal reserves and which could result in the divestment of certain coal properties. Substantially all of the net proceeds of any asset sale will be utilized to pay down outstanding obligations until obligations under these credit facilities are discharged and to collateralize outstanding surety bonds(See Note 8 to the Consolidated Financial

Statements).

The Company expects the required waivers of its covenant defaults to be obtained from the affected creditors, and that the credit facilities will be restructured in a manner that will delay the July 1994 maturities to accommodate the possible sale of WEI and other assets. Although this outcome is expected, there can be no assurance that the necessary credit facility modifications can be obtained or that a sale of assets will be accomplished or, if accomplished, will produce sufficient proceeds to discharge the Company's obligations. If the credit facility modifications cannot be obtained, and if the creditors elect to accelerate the Company's debt, the Company would not have sufficient cash to meet its obligations.

One of the provisions of the Retiree Medical Act of 1992 (See Note 10 to the Consolidated Financial Statements) is to make wholly owned subsidiaries of the Company secondarily liable for the funding of medical benefits for UMWA retirees who are retired or will retire through September 1994. It is not known what the potential implications of this provision might be in connection with the Company's efforts to sell WEI or the possible sale of coal properties.

RESULTS OF OPERATIONS:
1993 Compared to 1992

| | 1993 | 1992 |
|---|---|---|
| | (in thousands) | |
| Coal Operations: | | |
| Virginia Division | $ (24,630) | $ (9,332) |
| Hampton Division | (42,266) | (966) |
| Criterion Coal Co. | 10,289 | 6,492 |
| Westmoreland Resources, Inc. | 3,152 | 5,910 |
| West Virginia - Idled Operations | (29,773) | (4,309) |
| Other Coal | (11,021) | (32,737) |
| Total Coal | (94,249) | (34,942) |
| Other Operations | 214 | (384) |
| Income (loss) from continuing operations | $ (94,035) | $(35,326) |

Tons sold (in thousands) and average revenue per ton sold for 1993 and 1992 were as follows:

| | 1993 | 1992 |
|---|---|---|
| Virginia Division | 4,913 | 4,752 |
| Hampton Division | 1,561 | 1,745 |
| Criterion Coal Co. | 1,853 | 1,786 |
| Westmoreland Resources, Inc. | 3,224 | 3,491 |
| Total Westmoreland Operations | 11,551 | 11,774 |
| For Others . | 5,136 | 7,606 |
| Total tons sold | 16,687 | 19,380 |
| Own Operations-Inland | 11,136 | 10,722 |
| Own Operations-Export | 415 | 1,052 |
| For Others-Inland | 2,261 | 3,845 |

| | | |
|---|---|---|
| For Others-Export | 2,875 | 3,761 |
| Total | 16,687 | 19,380 |
| Average revenue per ton sold | $ 27.66 | $ 27.53 |

Summary

Operations incurred a loss of $94,035,000 for 1993 compared to a loss of $35,326,000 for 1992. The most significant item in 1993 being $79,250,000 of unusual charges related to the write-off of the carrying value of certain mining operations and coal reserves along with provisions for the termination of certain operations and personnel. These charges result from the Company's continuing strategic review of its mining operations in light of projected costs, prices and demand. Of the $79,250,000 of charges, $43,158,000 is for the planned discontinuation in the second quarter of 1994 of most of the Hampton Division's operations; $20,000,000 is related to the write-off of the Triangle mine complex idled since the early 1980's and classified within West Virginia - Idled Operations; and $16,092,000 is for the planned closedown in late 1994 of the Wentz mine complex and the write-off of certain other assets within the Virginia Division(See Note 2 to the Consolidated Financial Statements).

Also impacting 1993 results was an additional $9,250,000 accrual above the anticipated expense level of approximately $5,475,000, for Virginia Division workers' compensation liabilities resulting from a further reassessment of obligations related to continuing operations.

The final major variance in 1993 is the impact of SFAS 106 which was adopted in January 1993. As a result of SFAS 106, the Company incurred an increase of $10,527,000 of non-cash charges in 1993 as compared to 1992.

Income from operations for 1992 also included a number of charges totalling $34,610,000. $20,489,000 was related to loans and a guarantee obligation and other related items on behalf of Adventure Resources, Inc. ("Adventure") a coal supplier, that filed for bankruptcy. The Company also increased reserves for potentially uncollectible trade receivables and additional reclamation costs by $7,747,000 and $2,074,000 respectively. An additional $3,900,000 was accrued for a change in estimates of previously established workers' compensation obligations and a $400,000 valuation adjustment was made to its mining supplies inventories.

Excluding the unusual items mentioned above from both years, results from operations for 1993 would have been income of $4,992,000 as compared to a loss of $716,000 for 1992.

Virginia Division
The Virginia Division incurred losses in 1993 totalling $24,630,000 as compared to $9,332,000 in 1992.

- - Included in 1993's results were unusual charges totalling $16,092,000(See Note 2 to the Consolidated Financial Statements).

- - In connection with the continuing review of the Virginia Division, which has resulted in the closure of high cost operations and reduction in manpower, the Company engaged a consulting firm in 1992 to assess its exposure to workers' compensation claims. As a result, the Company increased its workers' compensation accruals in 1992. With the advice of the outside consultant and the further case history development in 1993, the Company recognized a need for an additional $9,250,000 adjustment, above the $5,475,000 which was anticipated for the year, in the fourth quarter of 1993. As a result of this further reassessment, total workers' compensation expense for the Virginia Division in 1993 was $14,725,000, an increase of $3,625,000 over 1992 which was $11,100,000.

- - The adoption of SFAS 106 increased expenses in the Virginia Division by $6,173,000 in 1993 compared to 1992.

- - Finally, the Duke Power Company contract price was reduced in 1993 under a market reopener, which resulted in decreased revenues and earnings of $7,100,000.

Excluding all of the above items, the Virginia Division's 1993 earnings would have been a profit of approximately $8,360,000 compared to loss of $9,332,000 in 1992 representing a $17,692,000 improvement in operating efficiency over 1992. This improvement is mainly attributable to increased productivity levels and better mining conditions. Also, the Pierrepont mine had its longwall mining system in place for the entire year of 1993 compared to 1992 when it was only operational in the fourth quarter.

Hampton Division
The Hampton Division lost $42,266,000 in 1993 compared to a loss of $966,000 in 1992.

- - Included in the 1993 loss were unusual charges of $43,158,000(See Note 2 to the Consolidated Financial Statements).

- - Also included in 1993's losses were the increased expenses related to SFAS 106 totalling $652,000.

- - 1992's losses are mainly attributable to environmental costs of $946,000 related to the treatment of water being discharged from a closed mine.

Criterion Coal Company
Criterion Coal Company profits improved by $3,797,000 in 1993. Profits for 1993 were $10,289,000 as compared to $6,492,000 in 1992. Operating costs at Criterion have been reduced as a result of its new preparation plant becoming operational in the first quarter of 1993. The increased profitability is also attributable to a higher average revenue per ton, due to tons sold under contract that were previously sold on the spot market.

Westmoreland Resources, Inc.
Westmoreland Resources, Inc. had profits totalling $3,152,000 in 1993 as compared to $5,910,000 in 1992. Included in 1993 was a settlement of a coal severance tax dispute between WRI and the state of Montana which decreased earnings by $900,000. Included in 1992's earnings was income from a

settlement of a dispute with a customer totalling $3,000,000. Net of the above non-recurring items, operating profits for 1993 improved by $1,142,000.

West Virginia - Idled Operations

West Virginia - Idled Operations consists of costs associated with mining operations in West Virginia which have been idled or disposed of. In 1993 these operations had costs totalling $29,773,000 versus costs of $4,309,000 in 1992. Included in 1993 were $20,000,000 of unusual charges for the write-off of the partially developed Triangle Mine Complex(See Note 2 to the Consolidated Financial Statements). Also impacting West Virginia - Idled Operations in 1993 was $2,730,000 of incremental postretirement medical expense resulting from the adoption of SFAS 106 in 1993 and $2,400,000 of charges related to retirees, which in previous years had been allocated to the Company's active mining operations.

Other Coal

Other Coal operations, which include corporate expense, the coal brokering activities of Westmoreland Coal Sales Company and the operations of Pine Branch Mining Co., lost $11,021,000 in 1993 as compared to a loss of $32,737,000 in 1992. 1992's losses include $20,489,000 of charges related to loans and a guarantee obligation and other related items on behalf of Adventure. Also included in 1992 was an increase in the reserves for potentially uncollectible trade receivables and reclamation costs in the amounts of $7,747,000 and $2,074,000, respectively. In the third quarter of 1993, the Company reduced its work force by 32 people at its Corporate office and Westmoreland Coal Sales Company. The Company accrued $1,700,000 in severance and other expenses related to this work force reduction. Also impacting 1993's losses is a 32% reduction in the volume of tons sold for other mining companies. This reduction in volume is primarily due to the closing of two mines in the second quarter of 1992 by Adventure, the cessation of operations in January 1993 of another West Virginia coal producer, for which the Company acted as sales agent, and a depressed export market. These lower sales levels are expected to continue.

Other Operations

Other Operations, which includes the results of Cleancoal Terminal Company ("Cleancoal"), the rail-to-barge transloading and ground storage facility located on the Ohio River in Kentucky, and some minor non-coal related transactions reported income of $214,000 in 1993 as compared to a loss of $384,000 for 1992. Cleancoal experienced a 17% increase in tons transloaded over 1992, resulting in a loss of $126,000 compared to a loss of $854,000 in 1992.

Other Accounts

Interest expense increased $796,000 or 19% in 1993 due to interest payments being made on a $8,864,000 loan being guaranteed by the Company on behalf of Adventure.

Interest income increased $135,000, or 22%, due to higher overall investments.

Other income in 1993 reflects increased income from scrap sales and royalties.

Income taxes in 1993 and 1992 principally reflected the provision for WRI, which is not consolidated with the Company for Federal income tax purposes, and alternative minimum tax and state taxes related to the Company's other operations. Also included in 1993 was a $683,000 benefit related to the settlement of a state income tax dispute.

Discontinued Operations - Cogeneration

The Company's cogeneration business unit, WEI, was offered for sale by the Company in 1993 and is being accounted for as a discontinued operation(See Note 6 to the Consolidated Financial Statements).

WEI's income from operations in 1993 was $805,000, which includes $2,000,000 gain recognized from the sale of a portion of its interest in the Fort Lupton project.  WEI's income from operations in 1992 was $1,679,000 which included $2,300,000 in development fees partially offset by a $1,500,000 reduction in the carrying value of an investment in a plant under development.

Inflation did not have a material impact on the Company's operations in 1993.

Trends and Uncertainties

There are a number of factors that may impact the future earnings of the Company.  Based on information available to the Company at this time, the following factors or future actions have been identified for which the impact is uncertain but could be substantial:

- -  On July 1, 1993, the Company,as part of  the Independent Bituminous Coal Bargaining Alliance ("IBCBA") entered into an interim agreement with the United Mine Workers of America ("UMWA").  This agreement provided mechanisms for the Company and the UMWA at the local level to work together to reduce health care costs, to make more efficient use of the Company's assets, to recognize special local operating and competitive conditions, to provide flexibility in work and scheduling, to create incentive programs, recognize employees' skills and performance, to involve and integrate employees and the UMWA in the success of their mines and the Company, and to improve overall labor management relations. These features were retained in a five-year agreement that succeeds the interim agreement, and became effective as of December 1993 ("1994 Agreement").

- -  The Company and the UMWA are in the process of implementing the health care cost reduction provisions of the 1994 Agreement.  In addition, other steps are being taken  at individual operations as part of the implementation of the 1994 Agreement which should make the Company's operations more competitive.  The 1994 Agreement provides for a wage increase of $.50 per hour, retroactive to February 1, 1993. Employees will receive the retroactive portion of this wage increase in the form of an additional $.50 per hour until the retroactive portion is paid.  The financial impact of the retroactive pay increase, $972,000, was accrued in 1993.  The 1994 Agreement also provides for additional wage increases of $.40 per hour on December 16, 1994 and December 16, 1995, and the right to negotiate for wage increases in 1996 and 1997.

- -  The Company makes payments into certain United Mine Workers' of America Benefit Trust Funds (the "Funds") including the Funds designed to pay medical benefits to employees who retired prior to 1976 and to those UMWA retirees whose companies are no longer in business (the "UMWA Retiree Medical Funds"). Prior to February 1993, the Company's contribution to UMWA Retiree Medical Funds were based on hours worked or tons produced. The Coal Industry Retiree Health Benefit Act of 1992 (the "Retiree Medical Act of 1992") significantly modified the funding of the UMWA Retiree Medical Funds (See Note 10 to the Consolidated Financial Statements for the method and amount of payments into these Funds.) The Company's liability for future funding obligations to the UMWA Retiree Medical Funds is estimated to be approximately $50,000,000, determined on a net present value basis. One of the provisions of the Retiree Medical Act of 1992 is to make wholly owned subsidiaries of the Company secondarily liable for the funding of medical benefits for UMWA retirees who are retired or will retire through September 1994. It is not known what the potential implications of these provisions might be in connection with the Company's efforts to sell WEI or the possible sale of coal properties.

-- The Company is also continuing in its efforts to improve the profitability and competitiveness of its Virginia Division by steps such as the closing of the Wentz mine and preparation plant complex in 1994. However, subsequent to the expiration of two above-market sales contracts in April 1995 and July 1996, the ability of the Virginia Division to operate profitably will require coal price increases, operating cost reductions or some combination of the two. Some industry experts are predicting price increases, and in cooperation with our work force we have made significant strides in addressing costs. However, it would be premature to predict the Virginia Division's ability to operate profitably at market prices after 1996 when its two major sales contracts will have expired.

-- The continued consolidation of the coal industry along with weakened market conditions have significantly impacted the Company's coal brokering operations. A significant portion of the Company's sales has historically been related to coal produced by smaller producers seeking to utilize the Company's expertise in the marketing of coal. In 1993, 5,136,000 tons of the total 16,687,000 tons sold by the Company were sold for other producers. Of the 5,136,000 tons sold for others, approximately 37% were produced by Adventure. Adventure filed for bankruptcy in December 1992. At this point in time, due to the Company's need to conserve working capital, it is unlikely that the current relationship with Adventure will be maintained and therefore sales volumes and margins could be reduced in the future.

-- In 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). Under SFAS 112, the cost of benefits provided to former or inactive employees, after employment but before retirement, are required to be accrued. SFAS 112 requires an employer to record the cost of postemployment benefits that are probable and estimable either over the periods in which benefit accumulate or vests or when the event occurs. Adoption of SFAS 112 is effective for fiscal years beginning after December 15, 1993. At the time of adoption the entire estimated liability should be reported as a change in accounting principle; SFAS 112 does not offer a "phase in" method of adoption. The Company does not expect this statement to have a material impact on its earnings.

RESULTS OF OPERATIONS:
1992 Compared to 1991
Income (loss) from operations for 1992 and 1991 was as follows:

| | 1992 | 1991 |
|---|---|---|
| | (in thousands) | |
| Coal Operations: | | |
| Virginia Division | $ (9,332) | $ (11,781) |
| Hampton Division | (966) | (5,508) |
| Criterion Coal Co. | 6,492 | 6,319 |
| Westmoreland Resources, Inc. | 5,910 | 4,198 |
| West Virginia - Idled Operations | (4,309) | (1,358) |
| Other Coal | (32,737) | 2,627 |
| Total Coal | (34,942) | (5,503) |
| Other Operations | (384) | (1,275) |
| Income (loss) from continuing operations | $ (35,326) | $ (6,778) |

Tons sold (in thousands) and average revenue per ton sold for 1992 and 1991 were as follows:

| | 1992 | 1991 |
|---|---|---|
| Virginia Division | 4,752 | 4,325 |
| Hampton Division | 1,745 | 1,543 |
| Criterion Coal Co. | 1,786 | 1,600 |
| Westmoreland Resources, Inc. | 3,491 | 4,102 |
| Total Westmoreland Operations | 11,774 | 11,570 |
| For Others . | 7,606 | 9,057 |
| Total tons sold | 19,380 | 20,627 |
| Own Operations-Inland | 10,722 | 10,229 |
| Own Operations-Export | 1,052 | 1,341 |
| For Others-Inland | 3,845 | 4,560 |
| For Others-Export | 3,761 | 4,497 |
| Total tons sold | 19,380 | 20,627 |
| Average revenue per ton sold | $ 27.53 | $ 27.38 |

Coal Operations
The Company's loss from coal operations in 1992 primarily reflects the effect of several material fourth quarter charges. These charges include reserves established for $20,489,000 related to loans and a guarantee obligation on behalf of Adventure. (See Note 7 to the Consolidated Financial Statements). The Company also increased reserves for potentially uncollectible trade receivables and additional reclamation costs by $7,747,000 and $2,074,000, respectively. An additional $3,900,000 was accrued in the fourth quarter for a change in estimates of previously established workers' compensation obligations and a $400,000 valuation adjustment was made to its mining supplies inventories.

The Company's loss from operations in 1992 also reflects the impact of a 6% decrease in total tons sold from 1991. This decline is due to a generally softened export market; the closing of two mines affiliated with Adventure and electric utility customers of WRI requiring lower tonnage due to the mild weather in their service areas in 1992.

Virginia Division
The Virginia Division incurred losses in 1992 totalling $9,332,000 compared to losses of $11,781,000 in 1991. Production in Virginia's company-operated mines increased 20% in 1992 due largely to the startup of the longwall system at the Pierrepont Mine. The Bullitt Mine continued to face adverse geological conditions which began at the end of 1991; mining plans for the Bullitt Mine were altered during the year in order to minimize the effect of the conditions. A review of Virginia's previously established workers' compensation obligations began at the end of 1991 which resulted in an increased accrual in 1992 of $6,319,000 compared to 1991, including a $3,900,000 accrual in the fourth quarter of 1992.

Hampton Division
The Company's Hampton Division lost $966,000 in 1992 as compared to a $5,508,000 loss in 1991. 1991's losses included a $4,780,000 expense for reclamation of a surface mine abandoned by a contractor who went out of business. 1992's losses are mainly attributable to environmental costs of $946,000 related to the treatment of water being discharged from a closed mine.

Criterion and WRI
Criterion and WRI continued to achieve and exceed their 1992 earnings goals. WRI's 1992 earnings of $5,910,000, included $3,000,000 from a settlement of a dispute with a customer. Criterion's 1992 earnings increased slightly, over 1991's level, to $6,492,000.

West Virginia - Idled Operations
West Virginia - Idled Operations consists of costs associated with mining operations in West Virginia which have been idled or disposed of.

In 1992 the medical benefits paid to retired employees and their dependents increased $3,191,000 when compared to 1991. Costs of this type are included in the Company's provision for other postretirement benefits under SFAS 106 effective in 1993.

Other Coal
Other Coal operations, which include corporate expense, the coal brokering activities of Westmoreland Coal Sales Company and the operations of Pine Branch Mining Co., lost $32,737,000 in 1992 as compared to a profit of $2,627,000 in 1991. 1992's losses include $20,489,000 of charges related to loans and a guarantee obligation and other related items on behalf of Adventure, a coal supplier related to the Company's coal brokering activities. Also included in 1992 was an increase in the reserves for potentially uncollectable trade receivables and reclamation costs in the amount of $7,747,000 and $1,200,000 respectively.

Other Operations
The loss from other operations decreased primarily due to

decreased losses from the Company's joint venture through a subsidiary with Stinnes Coal Company, Inc. Although Cleancoal, the rail-to-barge transloading and ground storage facility located on the Ohio River in Kentucky, experienced a less than 1% decrease in tons transloaded, its loss from operations increased $115,000, or 16%. This was largely due to increased costs due to customer mix.

Other Accounts
Interest income decreased $1,097,000, or 65%, due to lower overall investments and lower interest rates.

Other income in 1992 included a $358,000 increase from the reversal of a provision for franchise tax established in a prior year. Other income in 1991 was reduced by the write-off of a $500,000 investment in a firm engaged in coal research and development activities.

Income taxes in 1992 principally reflected the provision for WRI, which is not consolidated with the Company for Federal income tax purposes, and alternative minimum tax and state taxes.

Discontinued Operations - Cogeneration

Income from the Company's cogeneration business unit, WEI, increased substantially in 1992. This increase is directly attributable to the commencement of operations of three plants in 1992: Southampton, Altavista and Hopewell. Cogeneration income also included $2,300,000 in development fees partially offset by a $1,500,000 reduction in the carrying value of WEI's investment in a plant under development.

Inflation did not have a material impact on the Company's operations in 1992.

<TABLE>
Westmoreland Coal Company and Subsidiaries
Five-Year Review
<CAPTION>

| | 1993 | 1992 | 1991 | 1990* | 1989* |
|---|---|---|---|---|---|
| Consolidated Income Statements (in thousands) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Revenue -Coal | $461,593 | $533,473 | $564,823 | $548,853 | $549,755 |
| -Other (1) | 3,662 | 2,816 | 2,252 | 2,246 | 50,281 |
| Total revenues | 465,255 | 536,289 | 567,075 | 551,099 | 600,036 |
| Cost and expenses | 480,040 | 571,615 | 573,853 | 534,250 | 580,615 |
| Unusual charges (1993)/Gain on sales of assets, net (1990, 1989) (2) | (79,250) | - | - | 1,339 | 167 |
| Income (loss) from continuing operations | (94,035) | (35,326) | (6,778) | 18,188 | 19,588 |
| Interest expense | 4,934 | 4,138 | 4,390 | 4,700 | 9,634 |
| Interest and other income | 2,231 | 1,466 | 1,887 | 4,718 | 4,311 |
| Income (loss) from continuing operations before income taxes and minority interest | (96,738) | (37,998) | (9,281) | 18,206 | 14,265 |

| | | | | | |
|---|---|---|---|---|---|
| Income taxes | 1,385 | 3,495 | 2,753 | 3,064 | 984 |
| Minority interest (3) | 748 | 1,543 | 1,120 | 2,007 | 1,654 |
| Net income (loss) from continuing operations | (98,871) | (43,036) | (13,154) | 13,135 | 11,627 |
| Net income (loss) from discontinued operation (4) | 1,225 | 2,012 | (248) | (606) | (153) |
| Net income (loss) | (97,646) | (41,024) | (13,402) | 12,529 | 11,474 |
| Less preferred stock dividend (5) | 4,888 | 2,362 | - | - | - |
| Net income (loss) from continuing operations available to common shareholders | (102,534) | (43,386) | (13,402) | 12,529 | 11,474 |
| **Common Stock Information (in thousands except per share data)** | | | | | |
| Income (loss) from continuing operations available to common shareholders | $ (14.92) | $ (5.94) | $ (1.59) | $ 1.58 | $1.41 |
| Income (loss) from discontinued operation available to common shareholders | .18 | .26 | (.03) | (.07) | (.02) |
| Income (loss) available to common shareholders | (14.74) | (5.68) | (1.62) | 1.51 | 1.39 |
| Dividends declared per common share | - | .32 | .32 | .32 | - |
| Weighted average number of common and common equivalent shares (6) | 6,954 | 7,635 | 8,250 | 8,296 | 8,250 |
| **Balance Sheet Data (in thousands)** | | | | | |
| Working capital (deficit) (7) | $ (5,839) | $ 33,650 | $ 42,215 | $ 60,854 | $ 59,510 |
| Net property, plant and equipment (2) | 146,450 | 204,051 | 193,155 | 201,130 | 209,316 |
| Total assets (2) | 265,498 | 324,625 | 320,724 | 338,090 | 345,356 |
| Total debt | 44,034 | 53,191 | 38,352 | 47,076 | 55,764 |
| Shareholders' equity (2) | 31,790 | 134,477 | 144,279 | 160,462 | 150,739 |
| Additions to property, plant and equipment | 8,298 | 33,729 | 15,766 | 15,243 | 7,494 |
| Percentage of debt to capitalization | 51% | 24% | 16% | 18% | 22% |

<FN>
* Certain amounts have been reclassified to conform with current classifications.

(1) In 1989, the Company sold Central Supply Company.

(2) In 1993, the Company recorded unusual charges related to the write-off of the carrying value of certain mining operations and coal reserves along with provisions for the termination of certain coal operations and personnel. (See Note 2 to the Consolidated Financial Statements.)

In 1990, the Company released, to a wholly owned subsidiary of Penn Virginia, its rights in certain coal reserves in Virginia in exchange for cash resulting in a gain of $950,000. In 1990, the Company also reported a gain of $389,000 in connection with its sale of Central Supply. The gain was the net of the curtailment of Central Supply's pension plan and certain expenses related to the sale.

In 1989, the Company released, to a wholly owned subsidiary of Penn Virginia, its rights in certain coal reserves and a surface loading facility in Virginia in exchange for cash and the release of certain claims and demands resulting in a gain of $1,883,000. In 1989, the Company also established provisions in the amount of $1,610,000 for the valuation of assets relating to its mining operations in Virginia and recorded an immaterial loss relating to the sale of Central Supply.

(3) Reflects the 40% interest in Westmoreland Resources, Inc. not owned by the Company.

(4) Westmoreland Energy, Inc. has been offered for sale by the Company and is being accounted for as a discontinued operation. (See Note 6 to the Consolidated Financial Statements.)

(5) On July 1, 1992, the Company issued 575,000 shares of Preferred Stock previously authorized. Two quarterly dividends at 8.5% per annum were declared in 1992 and four quarterly dividends in the same amount in 1993. (See Note 3 to the Consolidated Financial Statements.)

(6) In 1993, the Company issued 1,066 common shares.

In 1992, the Company purchased 1,295,589 of its own shares from Penn Virginia and in December 1992 retired the shares.

(7) The decrease in working capital from 1992 to 1993 resulted from the reclassification of long-term debt to current, the adoption of SFAS 106 and the accruals for mine closure costs, all in 1993.
</TABLE>

<TABLE>
Westmoreland Coal Company and Subsidiaries
CONSOLIDATED BALANCE SHEETS

<CAPTION>

| December 31, | 1993 | 1992 |
|---|---|---|
| | (in thousands) | |
| <S> | <C> | <C> |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $24,262 | $10,749 |
| Receivables: | | |
| Coal sales | 52,087 | 72,439 |
| Notes | 2,612 | 3,382 |
| Other | 1,911 | 2,143 |
| | 56,610 | 77,964 |
| Less allowance for doubtful accounts | 6,296 | 9,203 |
| | 50,314 | 68,761 |
| Inventories: | | |
| Coal | 10,293 | 15,743 |
| Mine supplies | 5,763 | 5,909 |
| | 16,056 | 21,652 |
| Other current assets | 4,609 | 903 |
| Total current assets | 95,241 | 102,065 |
| Net assets of discontinued operation held for sale | 12,972 | - |
| Property, plant and equipment: | | |
| Land and mineral rights | 32,838 | 58,629 |
| Plant and equipment | 338,839 | 357,392 |
| | 371,677 | 416,021 |
| Less accumulated depreciation and depletion | 225,227 | 211,970 |
| | 146,450 | 204,051 |
| Investment in cogeneration | - | 11,736 |
| Other assets | 10,835 | 6,773 |
| Total Assets | $ 265,498 | $ 324,625 |

<FN>
See accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.
</TABLE>
<TABLE>

<CAPTION>

| December 31, | 1993 | 1992 |
|---|---|---|
| | (in thousands except share data) | |
| <S> | <C> | <C> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Current installments of long-term debt | $ 28,101 | $ 6,663 |
| Accounts payable and accrued expenses: | | |
| Trade | 22,080 | 32,203 |
| Taxes, other than taxes on income | 5,757 | 4,687 |
| Payroll | 2,739 | 2,303 |
| Workers' compensation | 5,675 | 3,957 |
| Postretirement medical costs | 9,185 | - |
| Other | 22,829 | 14,523 |
| | 68,265 | 57,673 |
| Preferred dividends payable | 1,222 | 1,222 |
| Taxes on income | 2,992 | 2,357 |
| Deferred income taxes | 500 | 500 |
| Total current liabilities | 101,080 | 68,415 |
| Long-term debt | 15,933 | 46,528 |
| Accrual for pneumoconiosis benefits | 17,475 | 19,522 |
| Accrual for workers' compensation | 20,782 | 12,413 |
| Accrual for postretirement medical costs | 28,105 | - |
| Other liabilities | 25,242 | 17,714 |
| Deferred income taxes | 14,373 | 15,226 |
| Minority interest | 10,718 | 10,330 |
| Commitments and contingent liabilities | | |
| Shareholders' equity: | | |
| Preferred stock of $1.00 par value | | |
| Authorized 5,000,000 shares: | | |
| Issued 575,000 shares | 575 | 575 |
| Common stock of $2.50 par value | | |
| Authorized 20,000,000 shares; | | |
| Issued 6,955,477 shares at 12/31/93 | | |
| Issued 6,954,411 shares at 12/31/92 | 17,389 | 17,386 |
| Other paid-in capital | 94,651 | 94,807 |
| Retained earnings (deficit) | (80,825) | 21,709 |
| Total shareholders' equity | 31,790 | 134,477 |
| Total Liabilities and Shareholders' Equity | $ 265,498 | 324,625 |

</TABLE>

<TABLE>
Westmoreland Coal Company and Subsidiaries
Consolidated Statements of Income
<CAPTION>

| Years Ended December 31, | 1993 | 1992* | 1991* |
|---|---|---|---|
| | (in thousands except per share data) | | |
| <S> | <C> | <C> | <C> |
| Revenues: | | | |
| Coal | $461,593 | $533,473 | $564,823 |
| Other | 3,662 | 2,816 | 2,252 |
| | 465,255 | 536,289 | 567,075 |
| Cost and expenses: | | | |
| Cost of coal sold | 430,737 | 496,169 | 525,277 |
| Cost of sales-other | 2,337 | 2,036 | 2,371 |
| Depreciation, depletion and amortization | 21,440 | 22,539 | 23,107 |
| Selling and administrative | 25,783 | 21,816 | 22,991 |

| | | | |
|---|---|---|---|
| Provision for doubtful accounts | (257) | 29,055 | 107 |
| | 480,040 | 571,615 | 573,853 |
| Unusual charges | (79,250) | - | - |
| Income (loss) from continuing operations | (94,035) | (35,326) | (6,778) |
| Interest expense | 4,934 | 4,138 | 4,390 |
| Interest income | 738 | 603 | 1,700 |
| Other income | 1,493 | 863 | 187 |
| Income (loss) before income taxes and minority interest | (96,738) | (37,998) | (9,281) |
| Income taxes | 1,385 | 3,495 | 2,753 |
| Minority interest | 748 | 1,543 | 1,120 |
| Net income (loss) from continuing operations | (98,871) | (43,036) | (13,154) |
| Net income (loss) from discontinued operation, net of taxes | 1,225 | 2,012 | (248) |
| Net income (loss) | (97,646) | (41,024) | (13,402) |
| Less preferred stock dividend | 4,888 | 2,362 | - |
| Net income (loss) available to common shareholders | $ (102,534) | $(43,386) | $(13,402) |
| Net income (loss) per share available to common shareholders: | | | |
| Continuing Operations | $ (14.92) | $ (5.94) | $ (1.59) |
| Discontinued Operation | .18 | .26 | (.03) |
| Total | (14.74) | (5.68) | (1.62) |
| Weighted average number of common shares outstanding | 6,954 | 7,635 | 8,250 |

<FN>
* Certain amounts have been reclassified to conform with current classifications.

See accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.
</TABLE>

<TABLE>
Westmoreland Coal Company and Subsidiaries
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 1991, 1992 and 1993
<CAPTION>

| (in thousands except per share) | Class A Convertible Exchangeable Preferred Stock | Common Stock | Paid-In Capital | Retained Earnings (Deficit) | Total |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Balance at January 1, 1991 | $ - | 20,625 | 56,267 | 83,570 | 160,462 |
| Net loss | | | | (13,402) | (13,402) |
| Cash dividends paid: | | | | | |
| Common stock ($.32 per share) | | | | (2,640) | (2,640) |
| Incentive Stock Option transactions | | | (141) | | (141) |
| Balance at December 31, 1991 | - | 20,625 | 56,126 | 67,528 | 144,279 |
| Net loss | | | | (41,024) | (41,024) |
| Net proceeds from issuance of Preferred stock | 575 | | 53,953 | | 54,528 |
| Cash dividends paid: | | | | | |
| Common stock ($.32 per share) | | | | (2,433) | (2,433) |
| Preferred stock (8.5% per annum for six months) | | | | (2,362) | (2,362) |
| Purchase of treasury stock (1) | | (3,239) | (15,257) | | (18,496) |
| Incentive Stock Option transactions | | | (15) | | (15) |

| | | | | | |
|---|---|---|---|---|---|
| Balance at December 31, 1992 | 575 | 17,386 | 94,807 | 21,709 | 134,477 |
| Net loss | | | | (97,646) | (97,646) |
| Cash dividends paid: | | | | | |
| Preferred stock (8.5% per annum) | | | | (4,888) | (4,888) |
| Other | | 3 | (156) | | (153) |
| Balance at December 31, 1993 | $ 575 | 17,389 | 94,651 | (80,825) | 31,790 |

<FN>
(1) Treasury shares (1,295,589) were retired by the Company in December 1992.

See accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.
</TABLE>

<TABLE>
Westmoreland Coal Company and Subsidiaries
Consolidated Statements
of Cash Flows
<CAPTION>

| Years Ended December 31, | 1993 | 1992* | 1991* |
|---|---|---|---|
| | | (in thousands ) | |
| <S> | <C> | <C> | <C> |
| Cash flows from operating activities: | | | |
| Net income (loss) | $(97,646) | $(41,024) | $(13,402) |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | | |
| Unusual charges | 79,250 | - | - |
| Depreciation, depletion and amortization | 21,440 | 22,539 | 23,107 |
| (Increase) decrease in deferred income taxes | (853) | 766 | (482) |
| Decrease in accrual for pneumoconiosis benefits | (2,047) | (1,979) | (1,443) |
| Minority interest in WRI income | 748 | 1,543 | 1,120 |
| (Increase) decrease in customers' accounts receivable net of allowance for doubtful accounts | 17,199 | 3,140 | (13,558) |
| (Increase) decrease in other receivables | 476 | 3,680 | (2,299) |
| (Increase) decrease in inventories | 5,596 | 5,403 | (4,264) |
| Increase (decrease) in trade payables | (9,828) | (9,928) | 12,732 |
| Increase (decrease) in other accounts payable and accrued expenses | 4,935 | 5,177 | (6,226) |
| Increase in income taxes payable | 635 | 472 | 552 |
| Increase in accrual for postretirement medical costs | 18,738 | - | - |
| Increase in long-term accruals | 3,103 | 16,395 | 1,093 |
| Other | (7,616) | (1,240) | 614 |
| Net cash provided (used) by operating activities | 34,130 | 4,944 | (2,456) |
| Cash flows from investing activities: | | | |
| Fixed asset additions | (8,078) | (33,662) | (15,559) |
| Decrease in long-term investments | 347 | 2,333 | 1,544 |
| Proceeds from sales of investments and assets | 253 | 275 | 189 |
| (Increase) decrease of net assets held for sale | (2,291) | (12,657) | 13 |
| Net cash used in investing activities | (9,769) | (43,711) | (13,813) |
| Cash flows from financing activities: | | | |
| Proceeds from sale/leaseback | 3,883 | - | - |
| Proceeds from long-term debt | - | 14,500 | - |
| Repayment of long-term debt | (9,330) | (8,468) | (8,863) |
| Net proceeds from issuance of preferred stock | - | 54,528 | - |
| Purchase of treasury shares | - | (18,496) | - |
| Dividends paid to shareholders | (4,888) | (3,573) | (2,640) |

| | | | |
|---|---|---|---|
| Dividends paid and other adjustments relative to minority shareholders | (360) | (2,809) | (1,680) |
| Other | (153) | (15) | (141) |
| Net cash provided (used) in financing activities | (10,848) | 35,667 | (13,324) |
| Net increase (decrease) in cash and cash equivalents | 13,513 | (3,100) | (29,593) |
| Cash and cash equivalents, beginning of year | 10,749 | 13,849 | 43,442 |
| Cash and cash equivalents, end of year | $ 24,262 | $ 10,749 | $ 13,849 |

<FN>
Supplemental disclosures of cash flow information:

| | | | |
|---|---|---|---|
| Cash paid during the year for: | | | |
| Interest | $ 5,152 | $ 4,057 | $ 4,416 |
| Income taxes, net | 1,642 | 2,950 | 2,709 |

Supplemental disclosures of non-cash investing and financing activities:

The Company incurred capital lease obligations of $108,000, $35,000 and $152,000 in 1993, 1992 and 1991, respectively, to finance new equipment.

The Company, in 1992, recorded a loan guarantee it had provided on behalf of one of its coal suppliers for $8,864,000. (See Note 7.)

*Certain amounts have been reclassified to conform with current classifications.

See accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

</TABLE>

Westmoreland Coal Company and Subsidiaries
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Policy

The consolidated financial statements include the accounts of the Company and its subsidiaries after elimination of intercompany balances and transactions. To the extent that the Company owns 20% or more in any subsidiary, corporate joint venture or partnership, but less than a majority interest, it accounts for such investments using the equity method. The excess of the cost of an increase in the investment in WRI, a 60%-owned subsidiary, over the portion of net assets acquired in 1979, equal to $11,600,000, has been allocated to coal reserves. Such excess is being amortized at a fixed rate per ton based on estimated recoverable coal reserves.

Discontinued Operation -
Cogeneration and Independent Power Development

In connection with the development of cogeneration and independent power projects, certain costs are incurred during the development process. These costs are expensed in the period incurred until certain events have taken place, including the execution of certain contracts which are critical to a project's construction and operation. After these events have taken place all subsequent costs are capitalized as part of a project's investment basis. At the time when non-recourse bank financing has been obtained, costs previously expensed by the Company, to the extent reimbursed, are reported as income. All other income in connection with a project's development is deferred until the project reaches commercial operation. WEI was offered for sale by the Company in 1993 and is being accounted for as a discontinued operation.

Cash and Cash Equivalents

Cash equivalents of $21,892,000 at December 31, 1993 consist of Eurodollar time deposits and bank repurchase agreements. Cash equivalents of $498,000 at December 31, 1992 consist of bank repurchase agreements. All are carried at cost and have maturities of not longer than fifteen days. The Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

Inventory Valuation

Inventories are stated at the lower of average cost or market.

Property, Plant and Equipment

Property, plant and equipment are carried at cost and include expenditures for new facilities and those expenditures that substantially increase the productive lives of existing plant and equipment. Maintenance and repair costs are expensed as incurred. Mineral rights are depleted at a rate based upon the cost of the mineral properties and estimated recoverable tonnage therein. The Company uses the straight-line depreciation method over the assets' estimated useful lives, ranging from 3 to 40 years, which conforms to prevalent industry practice. When an asset is retired or sold, its cost and related accumulated depreciation are removed from the accounts. The difference between undepreciated cost and proceeds of disposition is recorded as a gain or loss. Fully depreciated plant and equipment remaining in use are not eliminated from the accounts. The development costs of mines in the pre-operating stage are capitalized and amortized over the assets' estimated useful lives after commercial operations commence.

Financial Instruments

Financial instruments are presented at either cost or fair value as required by generally accepted accounting principles. The fair value of the Company's financial instruments approximate carrying value.

Coal Revenues

Coal revenues include the sale of coal loaded at Company operations and sales of coal produced by other mining companies where the Company, through a subsidiary, is a sales agent or acts as a broker. The Company recognizes the full sales revenue of the coal sold for other companies since the Company assumes the credit risk for the sale, performs other services such as invoicing, quality control and shipment monitoring, and in most cases takes title to the coal. Coal revenues pertaining to coal sold for other companies amounted to $157,788,000, $227,046,000 and $282,676,000 in 1993, 1992 and 1991, respectively. For all coal sales the Company recognizes revenue at the time title passes to the customer.

Reclamation

Reclamation costs are accrued over the expected mine life using the units of production method based on recoverable reserves and environmental and regulatory requirements.

Estimates are periodically reviewed and adjustments are made in accruals to provide for future costs, as needed.

Postretirement Benefits Other Than Pensions

The Company adopted the provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106) on January 1, 1993. Under SFAS 106 the cost of postretirement benefits other than pensions must be recognized on an accrual basis. The Company elected to amortize its accumulated postretirement benefit obligation at the time of adoption, called the transition obligation, over 20 years.

The Company is subject to the Coal Industry Retiree Health Benefit Act of 1992. The Company pays a premium each month based upon the number of beneficiaries assigned to it. This amount is expensed at the time it is paid by the Company.

Income Taxes

The Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109") in 1991. SFAS 109 requires a company to recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in a company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company has not recognized the benefit of any net operating loss carryforwards as the result of adopting SFAS 109.

Net Income (Loss) Per Share Available to Common Shareholders

Net income (loss) per share available to common shareholders was computed by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock and common stock equivalents outstanding during the year. Common stock equivalents are not included when they would have an anti-dilutive effect on income (loss) per share.

Westmoreland Coal Company and Subsidiaries
Notes to Consolidated Financial Statements

December 31, 1993, 1992 and 1991

1. Liquidity

Although the Company generated $34,130,000 of net cash provided by operating activities in 1993, the Company's viability as a going concern is dependent on (1) obtaining waivers to the violation of and modification of certain financial covenants contained in its principal credit facilities; (2) modifying the final maturities of the $51,385,000 balance of these credit facilities from the scheduled July 1994 maturities; and (3) selling assets sufficient to discharge debt obligations.

As of December 31, 1993, the Company was not in compliance with certain of the financial covenants contained in the Amended Revolver maturing July 1994, the 10% Notes due July 1994, or the Company's DTA Guaranty in connection with by a $26,560,000 letter of credit expiring in July 1994 and related to the financing of a portion of the Dominion Terminal Associates coal export terminal. Outstanding borrowings under the Amended Revolver and 10% Senior Notes total $24,825,000 at December 31, 1993.

The Company is engaged in negotiations with the institutions participating in these credit arrangements to obtain waivers of these defaults, modifications of the financial covenants and restructuring of the facilities, including the extension of the maturities thereof pending possible asset sales.

In addition to the debt of $24,825,000 and the letter of credit for $26,560,000 maturing in July 1994, the Company has equity commitments related to cogeneration projects, currently projected to be $9,600,000, of which $1,050,000 was paid in March 1994 and the balance is payable in September 1994 and $15,392,000 payable in December 1994 and a related payment of $4,750,000 payable on April 29, 1994. The Company has offered for sale its cogeneration and independent power business, WEI, and is currently in negotiations on such a transaction. If successful, the proceeds are anticipated to be adequate to cover the credit facility obligations maturing in July 1994 and satisfy the above equity commitments. In addition the Company has been conducting a strategic review of its coal mining and related operations which has already resulted in the write-off and planned closure of certain mining operations and coal reserves and which could result in the divestment of certain coal properties. Substantially all of the net proceeds of any asset sale will be utilized to pay down outstanding obligations until obligations under these credit facilities are discharged and to collateralize outstanding surety bonds. (See Note 8.)

The Company expects the required waivers of its covenant defaults to be obtained from the affected creditors, and that the credit facilities will be restructured in a manner that will delay the July 1994 maturities to accommodate the possible sale of WEI and other assets. Although this outcome is expected, there can be no assurance that the necessary credit facility modifications can be obtained or that a sale of assets will be accomplished or, if accomplished, will produce sufficient proceeds to discharge the Company's obligations. If the credit facility modifications cannot be obtained, and if the creditors elect to accelerate the Company's debt, the Company would not have sufficient cash to meet its obligations.

One of the provisions of the Retiree Medical Act of 1992 (See Note 10) is to make wholly owned subsidiaries of the Company secondarily liable for the funding of medical benefits for UMWA retirees who are retired or will retire through September 1994. It is not known what the potential implications of these provisions might be in connection with the Company's efforts to sell WEI or the possible sale of coal properties.

2. Unusual Charges

The Company incurred unusual charges totaling $79,250,000 related to the write-off in the carrying value of certain mining operations and coal reserves along with provisions for the termination of certain operations and personnel. These charges result from the Company's continuing strategic review of its mining operations in light of projected costs, prices and demand. Of the $79,250,000 of charges, $43,158,000 is for the planned discontinuation in the second quarter of 1994 of most of the Hampton Division's operations; $20,000,000 related to the write-off of the Triangle mine complex idled since the early 1980's and classified within West Virginia - Idled Operations; and $16,092,000 is for the planned closedown in late 1994 of the Wentz mine complex and the write-off of certain other assets within the Virginia Division.

Hampton Division
The Hampton Division incurred unusual charges in 1993 totaling $43,158,000 related to the planned discontinuation of most of the Hampton Division's operations in the second quarter of 1994. This action was necessitated by the loss of an above-market contract in December 1993. Based on current market conditions and cost structures, there are no operational scenarios which would result in future positive cash flow had the Company continued to operate the deep mine, the preparation plant and the support facilities. The other major above-market contract associated with the Hampton property will continue to be supplied by the production from a large surface mine on the property, which is operated by a contractor. The components of the shut down costs are:
- - $8,247,000 for fixed asset write-downs.
- - $25,653,000 related to the accrual of postretirement medical benefits.
- - $3,900,000 in termination costs for approximately 130 employees.
- - $1,800,000 for reclamation.
- - $3,558,000 for anticipated operating losses and other shutdown reserves.

West Virginia - Idled Operations
West Virginia - Idled Operations incurred unusual charges of $20,000,000 for the write-off of the partially developed Triangle Mine Complex ("Triangle"), which has been idled since the early 1980's. As a result of management's continued review over the course of 1993 they believe Triangle will neither be developed nor sold in the foreseeable future. The Company has been unable to attract any interest to develop the reserve by a third party and the

Company does not have the capital to develop the reserve on its own. The latest extension of the mining permits for this property expires in 1994 and cannot be renewed with the state of West Virginia. Unless it is put back on active status and development begins the Company will be required to begin final reclamation in 1994. Based on these facts, the Company wrote-off the remaining $18,000,000 book value of Triangle and accrued $2,000,000 for the final reclamation of the complex, which will begin in the second half of 1994.

Virginia Division
The Virginia Division incurred unusual charges in 1993 totalling $16,092,000 relating to the following:
- - $7,761,000 related to the planned closure of the Wentz mine and preparation plant complex. The total charge related to the Wentz complex includes $4,967,000 for the writedown of the book value of impaired assets, $2,141,000 in termination costs for approximately 90 employees, $363,000 for reclamation and $290,000 for anticipated future operating losses. The decision to close this complex was based on the continuing high cost of production and the scheduled expiration of a major sales contract at the end of 1994.
- - $7,636,000 for the write-off of an undeveloped block of reserves which are owned in fee, which the Company has determined will not be economically mineable based on current and anticipated production costs and market conditions.
- - $695,000 related to the write-off of certain other assets.

Accruals related to the above unusual items are included in the balance sheet of the Company as of December 31, 1993 are as follows:

| | (in thousands) |
|---|---|
| Accrual for postretirement medical costs | $25,653 |
| Other liabilities (long-term) | 5,224 |
| Accounts payable and accrued expenses | 6,601 |
| Accrual for workers' compensation (long-term) | 2,300 |
| Total | $39,778 |

3. Capital Stock

The authorized capital stock of the Company consists of 20,000,000 shares of Common Stock and 4,800,000 shares of Series A Convertible Exchangeable Preferred Stock and 200,000 shares of Series B Junior Participating Preferred Stock.

In July 1992, the Company sold 2,300,000 Depositary Shares, each representing one quarter of a share of Series A Convertible Exchangeable Preferred Stock (the "Preferred Stock") for a total public offering price of $57,500,000. Net proceeds to the Company were $54,528,000. As a result, 575,000 shares of Preferred Stock are outstanding. The Preferred Stock has a liquidation preference equivalent to $25 per depositary share and dividends accumulate on the Preferred Stock at 8.5% per annum, equivalent to $2.125 per year per depositary share. There are no mandatory sinking fund requirements on the preferred stock.

The Preferred Stock is convertible at the option of the holder at any time, unless previously redeemed, into shares of Common Stock of the Company at a rate equivalent to 1.708 shares of Common Stock for each Depositary Share. The Preferred Stock and the Depositary Shares representing such stock are not redeemable prior to July 1, 1996. The Preferred Stock is redeemable thereafter at the option of the Company, in whole or in part, from time to time, initially at an amount equivalent to $26.28 per Depositary Share, if redeemed during the twelve month period beginning July 1, 1996, and thereafter at prices declining annually to an amount equivalent to $25 per Depositary Share on and after July 1, 2002, plus, in each case, an amount equal to the sum of all accrued and unpaid dividends.

The Preferred Stock may be exchanged at the option of the Company, as a whole only, on any dividend payment date commencing July 1, 1996, for the Company's 8 1/2% Convertible Subordinated Exchange Debentures due July 1, 2012 (the "Exchange Debenture") in a principal amount equal to $100 per share of Preferred Stock. The Exchange Debenture, if issued, will be convertible at the option of the holder at any time, unless previously redeemed, into shares of Common Stock at the then applicable conversion rate for the Preferred Stock.

A portion of the proceeds from the sale of Preferred Stock was used to purchase 1,295,589 shares of Company Common Stock from a subsidiary of Penn Virginia Corporation ("Penn Virginia"). The Company retired these shares in December 1992. Penn Virginia's voting interest in the Company at December 31, 1991 was 39.6%; its voting interest in the Company was 18.96% at December 31, 1992 and December 31, 1993.

At December 31, 1993, the Company had outstanding 6,955,477 shares of Common Stock and 575,000 shares of Series A Convertible Exchangeable Preferred Stock. The Common Stock and the Preferred Stock constitute all of the Company's voting securities.

On January 28, 1993 the Company adopted a Shareholder Rights Plan ("The Plan") and declared a distribution under the Plan of one Preferred Stock Purchase Right ("Right") for each outstanding share of the Company's Common Stock. In the event that any person or group acquires a 20% or greater position in the Company, each holder of a Right (other than the acquiring person or group) will be entitled to purchase one one-hundredth of one share of Westmoreland Series B Junior Participating Preferred Stock at a per share purchase price of $30, or, in lieu of the Preferred Stock, the number of shares of the Company's Common Stock having a market value at that time of $60. If the Company is acquired in a merger or other business combination transaction, each holder of a Right (other than the acquiring person or group) will be entitled to purchase a number of shares of the acquiring company's common stock having a market value at that time of $60.

The Company can redeem the Rights at a redemption price of $.01 per Right at any time until the tenth business day (subject to extension) after a public announcement that a 20% position is acquired.

The Board of Directors has the flexibility to lower the 20% threshold to not less than 10% prior to the time any person or group acquires a 20% position in the Company. The Rights expire on February 11, 2003.

4. Debt

The Company's total debt is summarized in the following tables (in thousands):

| | December 31 1993 | 1992 |
|---|---|---|
| Revolving Credit Loan at prime + 1% (7% at December 31, 1993) with quarterly repayments of $1,500 and a final maturity of July 15, 1994 | $ 12,000 | $ 14,500 |
| 10.0% senior unsecured notes placed with private lenders dated August 10, 1977. Repayment of $2,475 due June 15, 1994 and balance of $10,350 due July 15, 1994 (prior to an amendment in December 1993, these repayments were due annually through June 15, 1998) | 12,825 | 15,300 |
| Capital lease obligations payable in installments through 1996 with varying interest rates from 7.0% to 14.0% | 7,746 | 11,488 |
| 7.0% 5-year Promissory Note. Repayment in monthly installments through May 31, 1993 | - | 311 |
| Westmoreland Resources, Inc.: Contracts for deed and mortgage notes, payable with specified interest rates from 4.0% to 7.0% net of unamortized discount (1993-$445 and 1992-$506) maturing through 2005 | 2,599 | 2,809 |
| Loan guarantee on behalf of Adventure Resources, Inc. at an interest rate of 9.5% maturing on February 1, 1998 | 8,864 | 8,783 |
| Total debt | 44,034 | 53,191 |
| Less current installments | 28,101 | 6,663 |
| Long-term portion of debt | $ 15,933 | $ 46,528 |

| Current Maturities | December 31 1993 | 1992 |
|---|---|---|
| Revolving Credit Loan | $ 12,000 | $ - |
| 10.0% senior unsecured notes | 12,825 | 2,475 |
| Capital leases . | 3,077 | 3,667 |
| 7.0 % 5-year Promissory Note | - | 311 |
| Westmoreland Resources, Inc. debt | 199 | 210 |
| Total current maturities | $ 28,101 | $ 6,663 |

Principal payments on long-term debt, including capital leases, maturing in the next five years is as follows:

| Year Ending | Amount (in thousands) |
| --- | --- |
| December 31, 1994 | $ 28,101 |
| December 31, 1995 | 3,563 |
| December 31, 1996 | 1,390 |
| December 31, 1997 | 171 |
| December 31, 1998 | 9,046 |

The minimum future obligation, including principal and interest, on capital leases, primarily for mining equipment, is as follows:

| Year Ending | Amount (in thousands) |
| --- | --- |
| December 31, 1994 | $ 3,822 |
| December 31, 1995 | 3,799 |
| December 31, 1996 | 1,317 |
| December 31, 1997 | 6 |
| December 31, 1998 | - |
| | 8,944 |
| Less interest | 1,198 |
| Obligation on capital leases | $ 7,746 |

The Company's Revolving Credit Loan Agreement, collateralized by accounts receivable, was replaced on April 15, 1993 by the Amended Revolver. The Amended Revolver reduced the available credit to $15,000,000 on June 30, 1993 from $25,000,000 and changed the facility's termination date to July 15, 1994 from September 25, 1994. The Amended Revolver was modified on December 6, 1993 to further reduce the available credit to $12,000,000 by December 31, 1993 with subsequent quarterly reductions of $1,500,000. The amount available under the Revolver is subject to a borrowing base calculation based on domestic accounts receivable, and is secured by these accounts receivable of the Company.

The 10% Notes were amended during 1993 to increase the interest rate from 9.15% to 10.0% and to accelerate the final maturity date from June 15, 1998 to July 15, 1994.

The Amended Revolver, the 10% Notes and the DTA Guaranty (See Note 7), contain various restrictions and covenants. Under these provisions the Company must maintain a minimum level of working capital, current ratio, tangible net worth and fixed charge coverage among other covenants.

As of December 31, 1993, the Company is in violation of the working capital, current ratio, tangible net worth and fixed charge coverage covenants. As a result of these violations, the outstanding balances under these credit arrangements can be accelerated. Negotiations are underway to resolve these covenant violations and to extend the July 1994 maturity dates. However, there can be no assurance that such negotiations will result in a successful resolution of these matters. (See Note 1.)

No common dividends can be paid under the existing covenants. Based on current projections, the Company will be unable to pay common dividends in the foreseeable future. There are no loan covenants which restrict the payment of preferred dividends.

Substantially all of the proceeds which might be generated from the future sale of assets, outside of the ordinary course of business, have been pledged to pay down outstanding borrowings under the Amended Revolver and the 10% Notes, to collateralize the DTA Guaranty and to collateralize outstanding surety bonds. Refer to Note 8 for additional information on the outstanding surety bonds.

The contracts for deed and mortgage notes payable of WRI are secured by land and surface rights with an aggregate cost, net of amortization, of approximately $12,500,000 at December 31, 1993.

5. Lease Obligations

The Company and its subsidiaries lease coal lands from Penn Virginia Resources Corporation, a wholly-owned subsidiary of Penn Virginia Corporation (controlling an 18.96% voting interest in the Company at December 31, 1993) and other lessors. The leases provide for minimum annual royalties of $1,391,000 plus real estate taxes.

The coal leases with Penn Virginia Resources Corporation are in effect until all economically mineable reserves are exhausted. These coal leases were renegotiated effective July 1, 1988 at rates comparable to royalty rates charged by other lessors at the time. Under the agreement, the royalty rates for most deep-mined coal range from 6.5% to 7.0% of the sales price during the 10-year period beginning July 1, 1988. Beginning July 1, 1992 either party to this lease may call for negotiation to set a new rate for these particular seams. During the 10-year period beginning July 1, 1988, the rates for surface-mined coal range from 8.5% to 9.0% and the rates for highwall-mined coal range from 7.5% to 8.0%.

WRI has an agreement to lease coal reserves from the Crow Tribe of Indians. This lease requires annual rentals, recoupable minimum royalties and production royalties. The royalty rate varies from the greater of $.30 per ton or 6% of the F.O.B. mine price to a 12.5% rate net of all production-based taxes.

Royalties and rentals charged to expense under all lease agreements, including those in effect for WRI, amounted to $17,761,000, $17,292,000 and $16,661,000 in 1993, 1992 and 1991, respectively.

The Company has operating lease commitments expiring at various dates, primarily for real property and equipment. Minimum rental obligations existing under these leases at December 31, 1993 are as follows:

| | (in thousands) |
|---|---|
| 1994 | $3,959 |
| 1995 | 3,633 |
| 1996 | 3,201 |
| 1997 | 1,677 |
| 1998 | 1,396 |
| After 1998 | 5,915 |

The minimum rental obligations after 1998 are primarily attributable to the Company's railroad car leases and a lease expiring in 1999 for the corporate offices.

6. Westmoreland Energy, Inc.

Westmoreland Energy, Inc.
In 1993 the Company has offered WEI for sale and it is being accounted for as a discontinued operation.

WEI, a wholly-owned subsidiary of the Company, is engaged in the business of developing and owning interests in cogeneration and other non-regulated independent power plants. (See the Project Status Summary table filed as an exhibit.)

WEI, through subsidiaries, holds non-controlling general and limited equity interests in partnerships which were formed to build, own and operate cogeneration facilities. Generally, the lenders to these partnerships have recourse only against these projects and the income and revenues therefrom. The debt agreements contain various restrictive covenants including restrictions on paying cash distributions to the partners. WEI's equity interests in these partnerships range from 1.25 percent to 50 percent.

The following is a summary of aggregated financial information for all investments owned by WEI and accounted for under the equity method:

BALANCE SHEETS (in thousands)

| | Dec. 31, 1993 | Dec. 31,1992 |
|---|---|---|
| ASSETS | | |
| Current assets | $ 52,734 | $ 42,831 |
| Property, plant and equipment, net | 669,107 | 503,992 |
| Other assets | 72,166 | 64,036 |
| Total assets | $ 794,007 | $ 610,859 |
| LIABILITIES & EQUITY | | |
| Current liabilities | $ 46,144 | $ 37,088 |
| Long-term debt and other liabilities | 682,211 | 521,600 |
| Equity | 65,652 | 52,171 |
| Total liabilities & equity | $ 794,007 | $ 610,859 |
| | | |
| WEI's share of equity | $ 14,523 | $ 11,736 |

INCOME STATEMENTS (in thousands)

| | For years ended December 31, 1993 | 1992 | 1991 |
|---|---|---|---|
| Revenues | $ 110,199 | $ 87,970 | $ 37,565 |
| Operating income | 48,921 | 42,217 | 11,411 |
| Net income (loss) | 16,624 | 15,293 | 1,279 |
| | | | |
| WEI's share of net income (loss) | $ 3,195 | $ 2,114 | $ (65) |

WEI performs project development and venture management services related to the partnerships and has recognized revenues of $1,447,000, $2,565,000 and $1,395,000 in 1993, 1992 and 1991, respectively. WEI had deferred development income of $3,913,000 and $1,663,000 at December 31, 1993 and 1992, respectively. Income recognition of these fees is deferred until the related project achieves commercial operation and the equity contribution is made.

WEI has capitalized certain development costs. At December 31, 1993 and 1992, total capitalized development costs were $39,000 and $333,000, respectively. In addition, WEI capitalized certain project acquisition costs, totaling $1,182,000 at December 31, 1993. Such costs are being amortized over the term of the power contract of the project. Amortization for the twelve months ended December 31, 1993 was not material to the financial statements.

WEI has loans receivable from project partnerships of $2,230,000 and $501,000 at December 31, 1993 and 1992, respectively. The loans are short-term except for $1,184,000 of the loan amount outstanding at December 31, 1993.

Fort Lupton
WEI sold a portion of its interest in the Fort Lupton project for cash and recorded a gain of $2,000,000 in April 1993. WEI retains a limited partnership interest, with an effective interest of 4.49% in the distributable cash flows of the project.

Roanoke Valley II
The RV II project reached financial close in December of 1993, at which time WEI received $5,261,000 as reimbursement of development costs and development fees. Concurrent with the close, WEI, through a wholly-owned subsidiary, made a subordinated loan of $2,173,000 to the project partnership to secure a portion of the RV II equity commitment not guaranteed by LG&E. See Commitments and Contingencies Summary below for information regarding equity commitments for RV II.

Equity Support Agreements
On April 15, 1993, the Company entered into an equity support agreement with LG&E whereby the equity commitments of the Roanoke Valley I (RV I) and Rensselaer projects (up to $30,904,000) and a portion (up to $4,600,000) of the anticipated equity commitment of the RV II project are guaranteed by LG&E. As consideration for this guarantee, the Company has pledged its interest in these projects as security to LG&E. In addition, the Company is obligated to pay a fee of 1.25 percent per annum on the aggregate amount of the guarantee and a fee of $4,750,000 payable on April 30, 1994. These fees are being amortized over the period beginning on April 15, 1993 through the required equity funding dates of the respective projects. A total of $2,459,000 has been amortized through December 31, 1993.

Commitments & Contingencies Summary
The following summarizes the Company's commitments and contingencies regarding WEI's projects (in thousands):

Equity Funding Requirements

| | Maximum | Expected |
|---|---|---|
| Contractual Commitments (1994) | $ 30,900 | $ 25,000 |

| | | |
|---|---|---|
| Contractual Commitments (1995) | 6,800 | 4,600 |
| | $ 37,700 | $ 29,600 |
| Guarantee Fee - 1994 (accrued) | $ 4,750 | $ 4,750 |

7. Commitments and Contingencies

Westmoreland Terminal Company

Westmoreland Terminal Company ("WTC"), a wholly-owned subsidiary of the Company, has a 20% interest in Dominion Terminal Associates ("DTA"), a consortium formed for the construction and operation of a coal-storage and vessel-loading facility in Newport News, Virginia. DTA's annual throughput capacity is 20 million tons, and its ground storage capacity is 1.7 million tons.

The facility began operations in March 1984. Current financing is provided through $132,800,000 of refunding 30-year, non-amortizing, tax-exempt bonds. Rates of interest on the bonds are set periodically and the bonds provide that the bondholders have put options at each rate setting date, which can range from one day to 180 days. The refunding bonds are supported by a 7-year direct-pay letter of credit, expiring in July 1994, which would be utilized in the event that any bonds were tendered for payment. The Company is the ultimate obligor for any drawdowns under the letter of credit. As a result, WTC's portion of this issue ($26,560,000) is effectively guaranteed by the Company. Under the terms of the DTA Guaranty, as amended, the Company is required to meet various financial covenant tests. The Company is in violation of the minimum net working capital and tangible net worth tests contained in the DTA Guaranty. (See Note 4 for additional information.)

In addition, the partners have a Throughput and Handling Agreement whereby WTC is committed to fund its proportionate share of DTA operating expenses. WTC's total cash funding obligations were $3,129,000, $3,784,000 and $4,032,000 during 1993, 1992 and 1991, respectively.

The following is a summary of financial information for DTA:

BALANCE SHEETS (in thousands)

| | Dec. 31, 1993 | Dec. 31, 1992 |
|---|---|---|
| ASSETS | | |
| Current assets | $ 4,460 | $ 48,156 |
| Non-current assets | 104,651 | 107,787 |
| Total assets | $109,111 | $155,943 |
| LIABILITIES AND PARTNERS' DEFICIT | | |
| Current liabilities | $ 1,650 | $ 46,332 |
| Long-term debt and other liabilities | 144,803 | 145,268 |
| Partner's deficit | (37,342) | (35,657) |
| Total liabilities & partners' deficit | $109,111 | $155,943 |
| WTC's share of partners' deficit | $ (7,401) | $ (6,856) |

INCOME STATEMENTS (in thousands)

| | For the Years ended December 31, 1993 | 1992 | 1991 |
|---|---|---|---|
| Contribution from Partners | $ 18,592 | $ 19,599 | $ 20,462 |
| Operating expenses | 19,176 | 21,454 | 21,236 |
| Excess of expenses over partner's contributions | (1,685) | (4,419) | (3,247) |
| WTC's share of net income (loss) | $ (545) | $ (768) | $ (656) |

WTC's share of DTA's equity is not equal to its ownership percentage due to the fact that the DTA operating agreement does not allocate all expenses based on ownership percentage.

The Company's negative investment in DTA was $7,401,000 and $6,856,000 at December 31, 1993 and 1992, respectively and is recorded in other long term liabilities. The Company continues to record losses in excess of DTA's carrying value due to the Company's effective guarantee of its share of DTA's obligations.

Adventure
Westmoreland Coal Sales Company ("WCSC") a wholly owned subsidiary of the Company is the exclusive sales agent for Adventure, whose other affiliated companies include M.A.E. Services Inc. and Maben Energy Corporation. On December 2, 1992 Adventure filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of West Virginia. As of December 31, 1993 the Company has $7,397,000 in notes and $5,842,000 of short-term loans receivable from Adventure. In addition, the Company has guaranteed payment of certain defaulted obligations of Adventure totalling $8,864,000. All of these amounts are fully reserved. It is not possible at the present time to determine whether Adventure will successfully reorganize or the amount that the Company will receive on account of Adventure's pre-petition debt under either a successful reorganization or a liquidation. The Company is required to make interest payments on behalf of Adventure to the guaranteed party for a period not to exceed five years from March 1993. If the guaranteed obligation has not been resolved by Adventure by that time, the entire outstanding balance will then become due and owing. (See Note 4 for more information.)

Other

The Company is responsible for certain costs related to the eventual closing of its mines. The Company accrues amounts while each mine operates in order to absorb these costs over the life of each mine. These costs are related to reclamation, water treatment and other environmentally related items. The total cost to perform these activities as of December 31, 1993, is estimated to be $16,000,000. The Company has accrued $12,656,000 of these costs as of December 31, 1993. The balance will be accrued over the remaining lives of each operation. Of the total amount accrued as of December 31, 1993, $3,112,000 is classified as current in Accounts Payable and Accrued Expenses and $9,544,000 is classified as long-term in Other Liabilities. Also the Company may become responsible for similar costs associated with its mines operated by contractors if the contractor fails to perform. This amount is estimated to be $16,500,000 at December 31, 1993. The Company's contractors hold bonds for these costs totalling $8,200,000 at December 31, 1993.

The Company also has various contingent liabilities associated with its subsidiary, WEI. (See Note 6 for further information.)

In addition to the above, the Company and its subsidiaries had various claims and suits pending at December 31, 1993, all in the ordinary course of business.

8. Workers' Compensation and Pneumoconiosis Benefits

The Company is self-insured for workers' compensation benefits. The amounts charged to expense for workers' compensation were $17,204,000, $11,033,000 and $5,832,000 for 1993, 1992 and 1991, respectively, and were based on actual and estimated claims incurred. The increased expense for 1993 and 1992 was due to a revision in estimate resulting from the continuing review of previously established workers' compensation obligations at the Company's Virginia and Hampton Divisions.

The Company is also self-insured for Federal and state pneumoconiosis benefits. The Company created a trust with an independent trustee to fund liabilities for payments of these benefits and uses an actuarial method of providing for projected benefits to current and former employees based on existing and estimated future claims. The projected benefit payments are accrued as a percentage of coal operations' payroll cost over a period of twenty-five years. This actuarial method is the predominant method being used in the industry to accrue for such costs. Based on actuarial data, the Company credited to earnings $2,047,000, $1,979,000 and $1,443,000 in 1993, 1992 and 1991, respectively. The credits were primarily due to a decrease in the Company's disability experience and a significant decrease in its work force.

Based on actuarial data the Company did not make a contribution to the trust in 1993 or 1992 and does not anticipate making a contribution in 1994.

The following table sets forth the plan's funded status:

| December 31, | 1993 | 1992 |
|---|---|---|
| Actuarial present value of benefit obligation : | | |
| Terminated employees | $ 3,200 | $ 2,859 |
| Claimants | 26,700 | 23,304 |
| Active employees | 16,300 | 13,578 |
| Total present value of benefit obligation | 46,200 | 39,741 |
| Plan assets at fair value | 43,403 | 40,985 |
| Plan assets in excess of (less than) | | |

| | | |
|---|---|---|
| projected benefit obligation | $ (2,797) | $ 1,244 |

In addition, the Company has unfunded liabilities on its books totaling $17,475,000 and $19,522,000 as of December 31, 1993 and 1992, respectively in relation to pneumoconiosis benefits.

During 1993 the State of Virginia increased its bonding requirements for the Company's self-insured workers' compensation and pneumoconiosis benefit plans. As a result, the Company's surety bond underwriter required cash collateral for the $10,000,000 increased bonding. As of December 31, 1993, $1,000,000 of this amount was deposited in the cash collateral account and an additional $3,800,000 was deposited in February 1994. The Company has agreed to provide up to an additional $5,200,000 in this cash collateral account upon the sale of assets.

9. Retirement Plans

The Company and its subsidiaries have a non-contributory defined benefit pension plan covering non-union employees. Benefits are based on years of service and the employee's average annual compensation for the highest five continuous years of employment. The Company's funding practice is to make the minimum annual contribution required by applicable regulations. Prior service costs and actuarial gains are amortized over the future service period of plan participants on a straight-line basis. Pension income amounted to $1,682,000, $956,000 and $18,000 in 1993, 1992 and 1991, respectively. The increase in pension income in 1993 and 1992 was primarily the result of the actual return on plan assets in excess of the estimated return. Pension income in 1991 was relatively small primarily due to a cost of living increase granted to retirees.

The following table sets forth the plan's funded status and amounts recognized in the Company's financial statements:

| | December 31 1993 | 1992 |
|---|---|---|
| | (in thousands) | |
| Actuarial present value of benefit obligations: | | |
| Accumulated benefit obligations, including vested benefits of $53,512 and $46,193 in 1993 and 1992, respectively | $(53,633) | $(46,286) |
| Projected benefit obligations for service rendered to date | (63,745) | (57,187) |
| Plan assets at fair value, primarily listed stocks and fixed income investments | 81,002 | 77,147 |
| Plan assets in excess of projected benefit obligations | 17,257 | 19,960 |

| | | |
|---|---|---|
| Unrecognized net assets being recognized over seventeen years | (3,442) | (3,763) |
| Unrecognized prior service cost | 3,416 | 3,744 |
| Unrecognized net gain | (10,827) | (15,218) |
| Prepaid pension cost included in Other assets | $ 6,404 | $ 4,723 |

| The components of net periodic pension income for years ended December 31 | 1993 | 1992 | 1991 |
|---|---|---|---|
| | (in thousands) | | |
| Service cost - benefits earned during the period | $ 1,051 | $ 1,023 | $ 897 |
| Interest cost on projected benefit obligations | 4,609 | 4,478 | 4,273 |
| Actual return on plan assets | (8,064) | (11,732) | (14,782) |
| Net amortization and deferral | 722 | 5,275 | 9,594 |
| Net periodic pension income | $ (1,682) | $ (956) | $ (18) |

The 1993 discount rate and rate of increase in future compensation levels for the plan were 7.25% and 5.5%, respectively. The 1993 expected long-term rate of return on assets was 9%. The 1992 discount rate and rate of increase in future compensation levels for the plan were 8.25% and 6.5%, respectively. The 1992 expected long-term rate of return on assets was 9%.

Effective January 1, 1992 the Company adopted the Westmoreland Coal Company Supplemental Executive Retirement Plan ("SERP"). The SERP is an unfunded non-qualified deferred compensation plan whose purpose is to provide benefits to certain employees that could not be paid under the Company's defined benefit pension plan due to maximum limits imposed by the Employee Retirement Income Security Act ("ERISA") and the Internal Revenue Code. SERP expense amounted to $199,000 in 1993 and $208,000 in 1992.

The following table sets forth the plan's funded status and amounts recognized in the Company's financial statements.

| | December 31, 1993 | 1992 |
|---|---|---|
| | (in thousands) | |
| Actuarial present value of benefit obligations: | | |
| Accumulated benefit obligations, including vested benefits of $573 and $684 in 1993 and 1992, respectively | $ (675) | $ (825) |
| Projected benefit obligations for service rendered to date | (827) | (1,090) |
| Unrecognized prior service cost | 770 | 835 |
| Unrecognized net loss (gain) | (351) | 47 |

| | | |
|---|---|---|
| Additional liability | (267) | (617) |
| Accrued pension cost included in Other liabilities | $ (675) | $ (825) |

| The components of net periodic SERP costs for year ended December 31, | 1993 | 1992 |
|---|---|---|
| | (in thousands) | |
| Service cost - benefits earned during the period | $ 28 | $ 43 |
| Interest cost on projected benefit obligations | 87 | 82 |
| Amortization of prior service cost | 84 | 83 |
| Net periodic SERP cost | $ 199 | $ 208 |

The 1993 discount rate and rate of increase in future compensation levels for the plan were 7.25% and 5.5%, respectively. The 1992 discount rate and rate of increase in future compensation levels for the plan were 8.25% and 6.5%, respectively.

With respect to union employees, the Company is required under the national contract with the United Mine Workers of America (UMWA) to pay amounts based on hours worked or tons processed (depending on the source of the coal) to the UMWA Retirement Funds. These are multiemployer pension plans which are not controlled or administered by the Company. The amounts charged to expense, including payments made by the Company on behalf of certain contract miners, were $1,190,000, $1,073,000 and $1,238,000 for the years ended December 31, 1993, 1992 and 1991, respectively. Under ERISA, as amended by the Multiemployer Pension Plan Amendment Act of 1980, a contributor to a multiemployer plan is liable, upon termination of the plan or its withdrawal from the plan, for its share of the multiemployer plan's unfunded vested liabilities. The Company estimates that its share of the unfunded vested liabilities amounted to approximately $17,100,000 at June 30, 1993 and $8,800,000 at June 30, 1992. The increase over the prior year is due to lower investment interest rates, additional benefits granted under the plan and the Company's increased share of retirees whose companies have gone out of business.

10. Postretirement Health and Life Insurance Benefits

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits for retired employees and their dependents. Should the current program remain in effect, substantially all of the Company's current employees may become eligible for these benefits if they meet certain age and service requirements at the time of termination or retirement. These benefits are provided principally through self-insured programs.

In 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" ("SFAS 106"). Under this new standard the cost of postretirement benefits other than pensions must be recognized on an accrual basis as employees perform services rather than the "pay-as-you-go" basis.

The Company adopted SFAS 106 on January 1, 1993 and elected to amortize its unrecognized, unfunded accumulated postretirement benefit obligation over a 20-year period. Annual pre-tax expense in 1993 increased approximately $10,527,000. Additionally, Hampton Division accrued $18,552,000 for its curtailment liability under SFAS 106, including Hampton's share of the transition obligation of $16,162,000 as of December 31, 1993 in connection with the planned Division's shutdown in 1994 (See Note 2). This new accounting standard does not change the cash requirements for funding these benefits. Cash paid for retirees was $7,604,000, $7,866,000 and $7,690,000 in 1993, 1992 and 1991, respectively.

The following table sets forth the amounts recognized in the Company's financial statements (in thousands):

| | December 31, 1993 |
|---|---|
| Actuarial present value of benefit obligation: | |
| Accumulated postretirement benefit obligation | |
| Current retirees | $ (101,901) |
| Fully eligible actives | (15,533) |
| Other actives | (19,891) |
| Total accumulated benefit obligation | (137,325) |
| Unrecognized net transition obligation | 98,924 |
| Unrecognized net loss | 9,322 |
| Accrued postretirement benefit cost | (29,079) |

The health care cost trend rate assumed ranged from 9% in 1994 to 5% by the year 2001. Increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation for the medical plan as of December 31, 1993 by $18.6 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 1993 by $1.5 million.

The discount rate used in determining the accumulated postretirement benefit as of December 31, 1993 was 7.25% and as of January 1, 1993 was 8.25%.

The components of net periodic postretirement benefit cost for the year ended December 31, 1993

| | |
|---|---|
| Service cost - benefits earned | 1,271 |
| Interest cost on projected benefit obligations | 10,555 |
| Net amortization and deferral | 6,312 |
| Net periodic postretirement benefit cost* | 18,138 |

*Excludes accrual related to mine closures. (See Note 2.)

Additionally, the Company makes payments into the UMWA Benefit Trust Funds ("Funds"). These Funds are multiemployer health plans which are not controlled or administered by the Company. These Funds are designed to pay benefits to the Company's UMWA employees who retired prior to 1976 and to those UMWA retirees whose companies are no longer in business. Prior to February 1993, the amount paid by the Company was based on hours worked or tons processed (depending on the source of the coal) in accordance with the National Contract with the UMWA. Beginning February 1993 the Company is required by the Coal Industry Retiree Health

Benefit Act of 1992 to make monthly premium payments into the Funds. This premium is based on the number of beneficiaries assigned to the Company. The Company is challenging the number of beneficiaries it was assigned. The amounts expensed by the Company amounted to $4,937,000, $5,582,000 and $4,555,000 in 1993, 1992 and 1991, respectively. Also, Hampton Division accrued an additional $7,101,000 for its share of this liability as part of its mine closure costs. (See Note 2.)

In addition, employees terminated due to layoffs may be eligible for health care, life insurance and certain other benefits for a period of up to 24 months. The Company charges against earnings in the month of layoff an estimate of all these future costs associated with such employees.

## 11. Incentive Stock Option and Stock Appreciation Rights Plans

At December 31, 1993, the Company had two Incentive Stock Option and Stock Appreciation Rights Plans.

The Plans provide for two incentive elements, incentive stock options ("ISOs") and stock appreciation rights ("SARs"). An ISO, which may be qualified or non-qualified, gives the holder the right to purchase from the Company a specified number of shares of the Company's common stock for a specified price during a specified period. An SAR gives the holder the right to receive, without payment to the Company, its "value" in cash. The "value" of an SAR for this purpose will be equal to the increase, if any, in the market price of one share of common stock of the Company on the date the right is exercised over the market price of one such share on the date such right was granted. ISOs granted under the Plans may not have an option price that is less than the fair market value of the stock on the date of grant. ISOs and SARs may not be exercised before two years or after eight years from the date of grant. The maximum number of shares of the Company's common stock and SARs that may be issued or granted under the Plans is as follows:

| | 1982 Plan | 1985 Plan |
|---|---|---|
| Shares of common stock | 200,000 | 400,000 |
| Stock appreciation rights | 470,000 | 940,000 |

The 1982 Plan expired on January 4, 1992, and therefore no further ISOs or SARs may be granted from that Plan after that date.

Information for 1993, 1992 and 1991 with respect to the Plans is as follows:

| | Price Issue Range | Option Shares | Stock Appreciation Rights |
|---|---|---|---|
| Outstanding at December 31, 1990 | 14.50- 22.38 | 279,910 | 34,061 |
| Exercised in 1991 | 14.50- 18.50 | (36,726) | (5,491) |

| | | | |
|---|---|---|---|
| Ceased to be exercisable in 1991 | 14.50- 22.38 | (16,011) | - |
| Outstanding at December 31, 1991 | 14.50- 22.38 | 227,173 | 28,570 |
| Granted on July 31, 1992 | 12.63 | 20,000 | - |
| Granted on Sept. 9, 1992* | 14.28 | 210,000 | - |
| Exercised in 1992 | 14.50 | (2,696) | - |
| Ceased to be exercisable in 1992 | 18.50- 22.38 | (26,928) | - |
| Outstanding at December 31, 1992 | 12.63- 18.50 | 427,549 | 28,570 |
| Granted on June 2, 1993 | 8.75 | 40,000 | - |
| Granted on December 8, 1993 | 5.75 | 65,000 | - |
| Ceased to be exercisable in 1993 | 14.28- 18.50 | (101,696) | (10,125) |
| Outstanding at December 31, 1993 | | 430,853 | 18,445 |

* Non-Qualified Stock Options

Over the periods in which the SARs become exercisable, the Company accrues as expense the amount by which the market price exceeds the various grant prices of the SARs outstanding. This is adjusted in subsequent reporting periods for increases or decreases in the market price of the stock. In 1993 no accrual was recorded. In 1992 the net amount credited to earnings was $143,000 and in 1991 the net amount expensed was $14,000.

During 1992 and 1991, the Company purchased 2,696 and 36,726 shares, respectively, of its own stock and re-sold the same shares to certain of its employees under the Company's non-compensatory incentive stock option plan. The market price which the Company paid to acquire the shares was more than the option price which the employees paid to the Company in accordance with the terms of the plan and the difference of $15,000 and $141,000 in 1992 and 1991 respectively, was recorded as a reduction to Other paid-in capital. The Company also paid cash of $31,000 for the 1991 exercise of 5,491 SARs. The per share market value of the ISOs exercised in 1992 was $20.00. The per share market values of the ISOs and SARs exercised ranged from $19.00 to $22.25 in 1991.

## 12. Operations

### Segment Information

The Company's principal business is the production and marketing of coal on a worldwide basis. More than half of the coal sold by the Company is processed at and shipped from its coal properties, and includes both steam coal, sold primarily to electric utilities, and metallurgical coal, sold primarily to the steel industry. The remaining coal sold by the Company is produced by other domestic mining companies, principally smaller producers seeking to utilize the Company's expertise in the marketing of coal.

The Company is able to offer customers a wide variety of coals, including both steam coal and metallurgical coal, and a range of services related to its coal sales, including sourcing, blending, quality control and transportation.

Transportation services include arrangements with railroads, barge lines and vessel charterers. WCSC also has its own leased fleet of railcars to increase the availability of transportation and to reduce transportation costs.

The Company's Other segment includes Cleancoal Terminal Company, a rail-to-barge transloading and storage facility on the Ohio River, and other small non-mining operations. WEI is currently held for sale and is being accounted for as a discontinued operation. WEI's net assets have been disclosed as a single line item, net assets of discontinued operation held for sale, on the Consolidated Balance Sheet.

Intersegment sales are recorded at cost plus a charge for handling for all years shown. In presenting operating income by segment, unallocated corporate expenses are charged to coal operations.

Industry segment results for 1993 are:

| | Coal | Other | Elimi-nation | Consoli-dated |
|---|---|---|---|---|
| | | (in thousands) | | |
| Sales to unaffiliated customers | $461,593 | $ 3,662 | $ - | $465,255 |
| Intersegment transfers | - | - | - | - |
| Total sales | 461,593 | 3,662 | - | 465,255 |
| Operating income (loss) | (94,249) | 214 | - | (94,035) |
| Interest expense | - | - | - | 4,934 |
| Interest and other income | - | - | - | 2,231 |
| Loss before income taxes and minority interest | - | - | - | (96,738) |
| Identifiable assets at December 31, 1993 | 243,687 | 22,157* | (346) | 265,498 |
| Depreciation, depletion and amortization | 20,692 | 748 | - | 21,440 |
| Additions to property, plant and equipment | 8,119 | 179* | - | 8,298 |

*Includes net assets related to WEI of $12,972.

Industry segment results for 1992 are:

| | Coal | Other | Elimi-nation | Consoli-dated |
|---|---|---|---|---|
| | | | (in thousands) | |
| Sales to unaffiliated customers | $533,473 | $ 2,816 | $ - | $536,289 |
| Intersegment transfers | - | 221 | (221) | - |
| Total sales | 533,473 | 3,037 | (221) | 536,289 |
| Operating income (loss) | (34,942) | (384) | - | (35,326) |
| Interest expense | - | - | - | 4,138 |
| Interest and other income | - | - | - | 1,466 |
| Loss from continuing operations before income taxes and minority interest | - | - | - | (37,998) |
| Identifiable assets at December 31, 1992 | 312,986 | 24,373* | (12,734) | 324,625 |
| Depreciation, depletion | | | | |

| | | | | |
|---|---|---|---|---|
| and amortization | 21,800 | 739 | - | 22,539 |
| Additions to property, plant and equipment | 33,586 | 143* | - | 33,729 |

*Includes amounts related to WEI.

Industry segment results for 1991 are:

| | Coal | Other | Elimi-nation | Consoli-dated |
|---|---|---|---|---|
| | | (in thousands) | | |
| Sales to unaffiliated customers | $564,823 | $ 2,252 | $ - | $567,075 |
| Intersegment transfers | - | - | - | - |
| Total sales | 564,823 | 2,252 | - | 567,075 |
| Operating income (loss) | (5,503) | (1,275) | - | (6,778) |
| Interest expense | - | - | - | 4,390 |
| Interest and other income | - | - | - | 1,887 |
| Loss from continuing operations before income taxes and minority interest | - | - | - | (9,281) |
| Identifiable assets at December 31, 1992 | 306,457 | 20,054* | (5,787) | 320,724 |
| Depreciation, depletion and amortization | 22,313 | 794 | - | 23,107 |
| Additions to property, plant and equipment | 15,652 | 114* | - | 15,766 |

*Includes amounts related to WEI.

Sales:

Sales by the Company's non-coal operations are entirely within the United States. Information concerning the Company's coal revenues for 1993, 1992 and 1991 is shown below:

1993

| | Metallurgical | Steam | Total |
|---|---|---|---|
| Geographic Area | % | % | % |
| Europe | 15 | 4 | 19 |
| Pacific Rim Countries | 3 | - | 3 |
| Other | - | - | - |
| Total sales to foreign customers | 18 | 4 | 22 |
| United States | 12 | 66 | 78 |
| Total sales | 30 | 70 | 100 |

In 1993 the Company's 10 largest customers accounted for 62% of its coal revenues. Its two largest customers accounted for 32% of coal revenues. No other customer accounted for as much as 10% of 1993 coal revenues. 86% of the coal revenues were generated by long-term contracts. 66% of the Company's coal revenues were generated by coal sold to the steam market in the United States; these sales were distributed as follows: 22% in the Northeast, 70% in the Southeast and 8% in the Midwest. The Company is currently selling coal to a highly leveraged customer for which the credit exposure to the Company at December 31, 1993 was $3,200,000. The

Company's total export accounts receivable at December 31, 1993 was $17,940,000.

1992

| Geographic Area | Metallurgical % | Steam % | Total % |
|---|---|---|---|
| Europe | 13 | 8 | 21 |
| Pacific Rim Countries | 4 | - | 4 |
| Other | - | 1 | 1 |
| Total sales to foreign customers | 17 | 9 | 26 |
| United States | 13 | 61 | 74 |
| Total sales | 30 | 70 | 100 |

In 1992 the Company's 10 largest customers accounted for 54% of its coal revenues. Its largest customer accounted for 21% of coal revenues. No other customer accounted for as much as 10% of 1992 coal revenues. 72% of the coal revenues were generated by long-term contracts. 61% of the Company's coal revenues were generated by coal sold to the steam market in the United States; these sales were distributed as follows: 18% in the Northeast, 73% in the Southeast and 9% in the Midwest. The Company's total export accounts receivable at December 31, 1992 was $24,544,000.

1991

| Geographic Area | Metallurgical % | Steam % | Total % |
|---|---|---|---|
| Europe | 13 | 11 | 24 |
| Pacific Rim Countries | 4 | - | 4 |
| Other | 2 | - | 2 |
| Total sales to foreign customers | 19 | 11 | 30 |
| United States | 15 | 55 | 70 |
| Total sales | 34 | 66 | 100 |

In 1991 the Company's 10 largest customers accounted for 57% of its coal revenues. Its largest customer accounted for 18% of coal revenues. No other customer accounted for as much as 10% of 1991 coal revenues. 68% of the coal revenues were generated by long-term contracts. Over half of the Company's coal revenues were generated by coal sold to the steam market in the United States; these sales were distributed as follows: 24% in the Northeast, 62% in the Southeast and 14% in the Midwest.

13. Transactions with Affiliated Companies

The Company leases coal lands from a wholly-owned subsidiary of Penn Virginia Corporation ("Penn Virginia") which holds a 18.96% voting interest in the Company at December 31, 1993. In 1992, The Company purchased 1,295,589 of its own shares from Penn Virginia reducing its voting interest in the Company from 39.6% to 18.96%. (See Note 3.) Amounts paid to Penn Virginia for royalties on coal were $11,699,000, $10,689,000 and $8,248,000 for the years ended December 31, 1993, 1992 and 1991, respectively.

Westmoreland Resources, Inc., a 60% owned subsidiary, has a coal mining contract with Morrison-Knudsen Company, Inc., one of its stockholders. Mining costs incurred under the contract were $12,131,000, $12,651,000 and $15,287,000 in 1993, 1992 and 1991, respectively.

14. Income Taxes

Income tax expense attributable to income (loss) from continuing operations before income taxes and minority interest consists of:

| | 1993 | 1992 | 1991 |
|---|---|---|---|
| | | (in thousands) | |
| Federal: | | | |
| Current | $ 1,421 | $ 3,072 | $ 2,222 |
| Deferred | (703) | (418) | (396) |
| | 718 | 2,654 | 1,826 |
| State: | | | |
| Current | 818 | 931 | 1,013 |
| Deferred | (151) | (90) | (86) |
| | 667 | 841 | 927 |
| Income taxes | $ 1,385 | $ 3,495 | $ 2,753 |

Income tax expense attributable to income (loss) from continuing operations before income taxes and minority interest differed from the amounts computed by applying the statutory Federal income tax rate of 34% to pretax income (loss) from continuing operations before minority interest as a result of the following:

| | 1993 | 1992 | 1991 |
|---|---|---|---|
| | | (in thousands) | |
| Computed tax expense (benefit) at statutory rate | $ (32,891) | $ (12,235) | $ (3,239) |
| Increase (decrease) in tax expense resulting from: | | | |
| Percentage depletion | (1,128) | (430) | (1,483) |
| State income taxes, net | 441 | 555 | 602 |
| Minimum tax | 600 | 801 | 592 |
| Net operating loss carryforward not utilized for book purposes | 34,881 | 14,553 | 6,602 |
| Reversal of prior year accrual | (682) | - | - |
| Utilization of capital loss carryforward | - | - | (589) |
| Other | 164 | 251 | 268 |
| Income taxes | $ 1,385 | $ 3,495 | $ 2,753 |

For the years ended December 31, 1993, 1992 and 1991, deferred income tax benefits result from timing differences in the recognition of income and expense for income tax and financial reporting purposes. The sources and tax effects of those temporary differences are presented below:

| | 1993 | 1992 | 1991 |
|---|---|---|---|
| | | (in thousands) | |
| Imputed interest | $ (23) | $ (24) | $ (24) |
| Excess of book over: | | | |
| tax cost depletion | (43) | (48) | (56) |
| tax depreciation | (446) | (453) | (357) |
| tax amortization | (35) | (38) | - |

| | | | |
|---|---|---|---|
| Taxes and royalties | (342) | - | - |
| Amortization | | - | (45) |
| Postretirement benefits | (7) | (69) | - |
| Mine development costs | 43 | 124 | - |
| Income taxes | $ (853) | $ (508) | $ (482) |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1993 are presented below:

| | |
|---|---|
| Deferred tax assets: | |
| Net operating loss carryforwards | $56,400 |
| Investment tax credit carryforwards | 4,500 |
| Operating leases; capitalized for books | 2,622 |
| Accounts receivable due to allowance for doubtful accounts | 8,044 |
| Deferred income | 2,345 |
| Plant and equipment, differences due to depreciation and amortization | 4,703 |
| Accruals for the following: | |
| Workers Compensation | 8,893 |
| Pneumoconiosis | 5,941 |
| Social costs | 1,822 |
| Reclamation | 4,635 |
| Employee related | 628 |
| Pension benefit obligation | 9,811 |
| Shutdown costs | 3,769 |
| Other | 960 |
| Total gross deferred assets | 115,073 |
| Less valuation allowance | (112,973) |
| Net deferred tax assets | 2,100 |
| | |
| Deferred tax liabilities: | |
| | |
| Plant and equipment, differences due to depreciation and amortization | 14,711 |
| Prepaid Pension | 1,990 |
| Advanced royalties, capitalized for financial purposes | 109 |
| Unamortized discount on long term debt for financial purposes | 163 |
| Total gross deferred tax liabilities | (16,973) |
| | |
| Net deferred tax liability | $(14,873) |

The Company and subsidiaries, excluding WRI which is not included in the consolidated federal income tax return of the Company, have available tax basis net operating loss carryforwards to reduce future taxable income and investment tax credit carryforwards to offset future taxes payable. The net operating loss carryforwards of $166,000,000 expire over the period from 1995 through 2008. Included in the net operating loss carryforwards are alternative minimum tax net operating loss carryforwards of $41,000,000 which expire over the period from 2001 through 2008. The Company also has investment tax credit carryforwards for regular tax and alternative minimum tax of $4,500,000 which expires over the period from 1997 through 2000 for both.

The Company's federal consolidated income tax returns have been examined and settled by the Internal Revenue Service through 1979. WRI's Federal income tax returns have been examined and settled through 1990.

15. Quarterly Financial Data (Unaudited)
Summarized quarterly financial data for 1993 and 1992 are as follows:

<TABLE>
<CAPTION>

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 31 | June 30 | Sep. 30 | Dec. 31 |
| | (in thousands except per share data) | | | |
| <S> | <C> | <C> | <C> | <C> |
| 1993 | | | | |
| Revenues | $114,317 | $110,156 | $116,028 | $124,754 |
| Costs and expenses (1) | 115,730 | 109,734 | 117,614 | 216,212 |
| Net income (loss) from continuing operations | (3,088) | (321) | (3,110) | (92,352) |
| Net income (loss) from discontinued operation | 369 | 405 | 395 | 56 |
| Net income (loss) | (2,719) | 84 | (2,715) | (92,296) |
| Less preferred stock dividend (2) | 1,222 | 1,222 | 1,222 | 1,222 |
| Net income (loss) available to common shareholders | (3,941) | (1,138) | (3,937) | (93,518) |
| Net income (loss) per share available to common shareholders: | | | | |
| Continuing operations | (.62) | (.22) | (.63) | (13.45) |
| Discontinued operation | .05 | .06 | .05 | .01 |
| Total | (.57) | (.16) | (.57) | (13.44) |
| Number of common and common equivalent shares outstanding (weighted-average) (2) | 6,954 | 6,954 | 6,954 | 6,955 |
| 1992 | | | | |
| Revenues | $151,822 | $129,457 | $124,780 | $130,230 |
| Costs and expenses (3) | 151,156 | 131,300 | 126,120 | 163,039 |
| Net income (loss) from continuing operations | (944) | (3,297) | (3,176) | (35,619) |
| Net income (loss) from discontinued operation | 1,139 | 581 | 1,191 | (899) |
| Net income (loss) | 195 | (2,716) | (1,985) | (36,518) |
| Less preferred stock dividend (2) | - | - | 1,140 | 1,222 |
| Net income (loss) available to common shareholders | 195 | (2,716) | (3,125) | (37,740) |
| Net income (loss) per share available to common shareholders: | | | | |
| Continuing operations | (.12) | (.40) | (.61) | (5.30) |
| Discontinued operation | .14 | .07 | .17 | (.13) |
| Total | .02 | (.33) | (.44) | (5.43) |
| Number of common and common equivalent shares outstanding (weighted-average) (2) | 8,260 | 8,250 | 7,085 | 6,954 |

<FN>
(1) Fourth Quarter 1993 expenses include $79,250,000 in unusual charges for the write-off of the carrying value of certain mining operations and coal reserves along with provisions for the termination of certain coal operations and personnel. In addition, the Company recorded an additional $9,250,000 for workers' compensation. (See Note 2.)

(2) See Consolidated Statements of Shareholders' Equity and Note 3 of the Consolidated Financial Statements.

(3) Fourth quarter 1992 includes charges of $20,489,000 for loans and a guarantee obligation on behalf of Adventure that filed for bankruptcy under Chapter 11 in December 1992. Also, the Company accrued an additional $3,900,000 for workers' compensation obligations. The Company increased reserves for potentially uncollectable trade receivables by $7,747,000, of this amount $3,331,000 is related to a customer which filed for bankruptcy under Chapter 11 in December 1992, the remaining $4,416,000 resulted from the Company's credit review of its receivables. The Company increased its reserves for reclamation costs in the fourth quarter of 1992 by $2,074,000, of this amount $1,200,000 is related to Adventure.
</TABLE>

16. Supplementary Coal Statistics (Unaudited)

Information with respect to the Company's coal reserves is as follows:

<TABLE>
<CAPTION>

| <S> | 1993 <C> | 1992 <C> | 1991 <C> | 1990 <C> | 1989 <C> |
|---|---|---|---|---|---|
| Demonstrated coal reserve base at year-end (thousands of tons) | 815,169 | 966,843 | 1,081,872 | 1,131,552 | 1,170,992 |
| Production tonnage (thousands of tons) | 10,463 | 10,405 | 10,121 | 10,606 | 10,241 |
| Average price per ton sold | $25.58 | $25.25 | $23.87 | $23.23 | $23.97 |

</TABLE>
The Company makes yearly evaluations of its reserves and periodically modifies the amount of reserves reported. The reserve evaluations are based on new information developed by bore-hole drilling, examination of outcrops, acquisitions, dispositions, production, changes in mining methods, abandonments and other information. Substantially all of the estimated coal reserves are leased from others. The decrease in 1993 is primarily due to an adjustment for reserves deemed to be uneconomical to mine based on current and projected market conditions.

Market Information on Capital Stock

Price Range:

The following table shows the range of prices for the Common Stock and Preferred Stock of the Company in the NASDAQ National Over-The-Counter Market, for the period January 1, 1991 through June 16, 1992, and on the New York Stock Exchange, for the period June 17, 1992 through December 31, 1993, for the calendar quarters indicated:

Closing Prices

| | Common Stock High | Common Stock Low | Preferred Stock High | Preferred Stock Low |
|---|---|---|---|---|
| 1992 | | | | |
| First Quarter | 21 1/4 | 15 1/2 | - | - |
| Second Quarter | 18 1/4 | 11 3/4 | - | - |
| Third Quarter | 13 | 11 1/4 | 28 1/4 | 25 |
| Fourth Quarter | 12 3/4 | 10 1/4 | 28 3/4 | 24 1/4 |
| 1993 | | | | |
| First Quarter | 11 | 8 3/8 | 26 | 21 3/4 |
| Second Quarter | 10 3/8 | 6 1/4 | 24 1/2 | 17 3/4 |
| Third Quarter | 7 3/4 | 5 3/4 | 21 7/8 | 17 3/8 |
| Fourth Quarter | 7 1/4 | 5 1/8 | 22 | 18 3/8 |

* Preferred Stock began trading on July 9, 1992.

Approximate Number of Equity Security Holders

| Title of Class | Number of Record Holders (as of February 25, 1994) |
|---|---|
| Common Stock ($2.50 par value) | 2,068 |
| Preferred Stock ($1.00 par value) | 140 |

Dividends:

After obtaining a waiver to its 1977 Loan Agreement, the Company declared and paid an $.08 dividend on Common Stock in each of the four quarters of 1991 and 1992. On January 26, 1993 the Company announced that the regular quarterly dividend of $.08 per share of common stock payable for the first quarter of 1993 would be suspended. Common stock dividend payments are restricted by covenants under the Company's loan agreements. Currently the Company is not able to pay common stock dividends based on these restrictive covenants.

Preferred stock dividends at a rate of 8.5% per annum have been paid quarterly since the third quarter of 1992. The last quarterly preferred stock dividend was declared on February 25, 1994 and was paid on April 1, 1994. The continuation of payment of preferred stock dividends is at the discretion of the Company's board of directors. However, there are statutory restrictions limiting the payments of preferred dividends under Delaware law, the state in which the Company is incorporated. Under Delaware law, the Company is only permitted to pay dividends either: (1) out of surplus, surplus being the amount of shareholders' equity in excess of the par value of the Company's two classes of stock; or (2) in the event of no surplus, out of net profits for the fiscal year in which a dividend is declared (or out of net profits from the preceding fiscal year), but only to the extent that equity exceeds par value of preferred stock ($575,000). The combined par value of the Company's preferred and common stocks is $17,964,000.

WESTMORELAND COAL COMPANY
ITEM 14 - EXHIBIT 21
For the year ended December 31, 1993

| SUBSIDIARY NAME | STATE OF INCORPORATION |
|---|---|
| Cleancoal Terminal Company | Delaware |
| Criterion Coal Company | Delaware |
| Deane Processing Company | Delaware |
| Eastern Coal & Coke Company | Pennsylvania |
| ECC Leasing Corp. | Delaware |
| Kentucky Criterion Coal Company | Delaware |
| Pine Branch Mining Incorporated | Delaware |
| Roda-Dendron Coal Company | Delaware |
| Triport Tool Corporation | Delaware |
| WEI-Ft. Lupton, Inc. | Delaware |
| WEI-Indiana, Inc. | Delaware |
| WEI-Rensselaer, Inc. | Delaware |
| WEI-Roanoke Valley, Inc. | Delaware |
| Westmoreland Coal Sales Company, Inc. | Delaware |
| Westmoreland Energy, Inc. | Delaware |
| Westmoreland Resources, Inc. | Delaware |
| Westmoreland Terminal Company | Delaware |
| Westmoreland-Altavista, Inc. | Delaware |
| Westmoreland-Buena Vista, Inc. | Delaware |
| Westmoreland-Covington, Inc. | Delaware |
| Westmoreland-Fort Drum, Inc. | Delaware |
| Westmoreland-Franklin, Inc. | Delaware |
| Westmoreland-Greeley, Inc. | Delaware |
| Westmoreland-Hopewell, Inc. | Delaware |

Exhibit 23

Consent of Independent Certified Public Accountants

The Board of Directors
Westmoreland Coal Company:

We consent to incorporation by reference in the Registration Statements No. 2-90847 and No. 33-33620 on Forms S-8 of Westmoreland Coal Company of our report dated April 15, 1994, relating to the consolidated balance sheets of Westmoreland Coal Company and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, shareholders' equity and cash flows and the related financial statement schedules for each of the years in the three year period ended December 31, 1993, which report appears in the December 31, 1993 annual report on Form 10-K of Westmoreland Coal Company.

Our report dated April 15, 1994, contains an explanatory paragraph that states that the Company's recurring losses from operations, violations of various covenants in its credit arrangements and other obligations and net working capital deficiency raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements and financial statement schedules do not include any adjustments that might result from the outcome of this uncertainty.

Our report also refers to the Company's adoption of the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, in 1993.

KPMG PEAT MARWICK

April 15, 1994
Philadelphia, PA

<TABLE>
WESTMORELAND ENERGY, INC.
Project Status Summary
December 31, 1993
<CAPTION>

| | Southampton | Altavista | Hopewell | Roanoke Valley I | Roanoke Valley II | Ft. Drum | Ft. Lupton | Rensselaer |
|---|---|---|---|---|---|---|---|---|
| Location | Southampton, Virginia | Altavista, Virginia | Hopewell, Virginia | Weldon, North Carolina | Weldon, North Carolina | Watertown, New York | Ft. Lupton Colorado | Rensselaer New York |
| Status | Operational | Operational | Operational | Construction | Construction | Operational | Construction | Construction |
| Gross Megawatt Capacity | 70 MW | 70 MW | 70 MW | 180 MW | 50 MW | 55.5 MW | 290 MW | 81 MW |
| WEI Equity Ownership | 30.0% | 30.0% | 30.0% | 50.0% | 50.0% | 1.25% | 4.49% | 50.0% |
| Equity Partner | LG&E Power | LG&E Power | LG&E Power | LG&E Power | LG&E Power | Jones Group | Thermo, Inc. | LG&E Power |
| Electricity Purchaser | Virginia Power | Virginia Power | Virginia Power | North Carolina Power | North Carolina Power | Niagara Mohawk | Public Service of CO | Niagara Mohawk |
| Steam Host | Hercules, Inc. | The Lane Company, Inc | Firestone Tire & Rubber Co. | Patch Rubber Co. | Patch Rubber Co. | U. S. Army | Rocky Mt. Produce Ltd. | BASF Corp. |
| Fuel Type | Coal | Coal | Coal | Coal | Coal | Coal | Natural Gas | Natural Gas |
| Fuel Supplier | United Coal Co. | Westmoreland Coal Co. | United Coal Co. | TECO Coal Co./ Westmoreland Coal Co. | TECO Coal Co./ Westmoreland Coal Co. | Westmoreland Co. | Thermo Fuels, Inc. | Western Gas Marketing, Ltd. |
| Commercial Operations Date | 1992 | 1992 | 1992 | June 1994 (projected) | 1995 (projected) | 1989 | June 1994 (projected) | April 1994 (projected) |

</TABLE>